Believe

in yourself

Invest

in yourself

Create

value

Dofasco Inc. Annual Report 1999

What does

oppo

rtunity

look like?

A revolution swept Dofasco in the 1990s. We brought it on ourselves. It was all about aspirations.

We reinvented and expanded our view of opportunity to one based on global competitiveness, sustainable growth, and shared success with our customers.

With our employees, we built a shared understanding of the kind of business we wanted to be.

We set the bar very high. We **believed** that we could be the best company of our kind in the world. We **invested** in this belief, paid attention to detail and delivered on our promise. We distinguished ourselves from our competitors, we delighted customers, and we **created** enduring value.

At Dofasco, we are selective in our pursuit of opportunity. We invest only in those opportunities where we can use our talents and our resources to create enduring value for our customers, our shareholders, our employees, and our communities.

What does opportunity look like at Dofasco? Opportunity is using innovation to create something new and competitive.

Profile

Dofasco is one of Canada's largest steel producers, serving customers throughout North America with high quality flat rolled and tubular steels. The Company has operations in Canada and the United States, and utilizes both oxygen steelmaking and scrap-based electric arc furnace technology.

Dofasco's advanced steelmaking facilities in Hamilton, Ontario produce hot rolled, cold rolled, galvanized, Extragal™, Galvalume™, tinplate, chromium-coated and pre-painted flat rolled steels, as well as tubular products. Gallatin Steel, the Company's joint venture minimill in Kentucky, produces hot rolled steels.

Several years ago, Dofasco adopted a customer-focused strategy called Solutions in Steel,™ which employs new and unique technologies to increase the proportion of value-added products the Company produces.

This full range of steel products is sold to customers in the automotive, construction, energy, manufacturing, pipe and tube, appliance, container and steel distribution industries.

Dofasco's skilled and highly motivated workforce is committed to providing the highest level of product quality and customer service, and to helping maintain Dofasco's leadership position within the North American steel industry.

™ Extragal™ is a registered Canadian trademark of Sollac, France.

™ Galvalume™ is a registered trademark of Dofasco Inc. in Canada, and a registered trademark of BIEC International Inc. in the United States.

™ Solutions in Steel™ is a trademark of Dofasco Inc.

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Highlights

	1999	1998
Raw steel production and purchased semi-finished		(restated)
steel processed (thousands of net tons)	4,833	4,794
Steel shipments (thousands of net tons)	4,449	4,056
Sales*	$ 3,142.3	$ 2,982.2
Net income*	260.8	174.2
Net income attributable to common shares*†	260.2	173.6
Earnings per common share† – basic	3.16	2.02
– fully diluted	3.11	2.02
Dividends declared per common share	1.00	1.00
Capital expenditures*	$ 185.4	$ 265.7
Working capital*	$ 776.5	$ 786.9
Shareholders' equity*	1,812.5	1,797.0

* in millions
† after preferred dividends

- Most profitable steelmaker in North America on an earnings (before interest and taxes) per shipped ton basis.
- Recorded highest net income of the 1990's, 34% higher than 1998 (excluding the impact of the sale of the Company's interest in the Iron Ore Company of Canada).
- Distributed record amounts of Profit Sharing and Variable Compensation payments to Hamilton employees for 1999 performance.
- Generated $463 million in cash flow from operations (before changes in working capital), the fourth consecutive year this has exceeded $400 million.
- Repurchased 6.6 million shares, representing 7.8% of the shares outstanding at the beginning of the year, on the open market for $164.5 million.
- Returned $250 million to shareholders through common share repurchases and dividends.
- DoSol Galva in Hamilton operating ahead of planned learning curve, and exclusively dedicated to automotive applications.
- On schedule and on budget with construction of the #2 Tube Mill in Hamilton, scheduled to start production in the third quarter of 2000.
- Initiated a $138 million upgrade of the Hot Rolling Mill in Hamilton, to improve quality and increase capacity to supply value-added finishing operations, including DSG and the Tube Mills.
- Gallatin Steel operated above rated capacity for 1999, with shipments of hot rolled products 44% higher than in 1998, and was profitable in the last half of 1999.
- Successfully completed the transition from 1999 to 2000 with no significant disruptions to operating or business computer systems.

Performan

At Dofasco, we believe in being accountable. The following table provides a synopsis of our 1999 performance, evaluated against the strategic initiatives and challenges we discussed in last year's annual report.

Objectives

Short-term challenges

- Improve health and safety record.
- Start up DoSol Galva in the third quarter of 1999.
- Proceed with the construction of #2 Tube Mill.
- Improve delivery performance further while reducing overall cycle time.
- Expand Gallatin Steel's customer base and product range.
- Upgrade electronics on Tinplate production facilities.

Long-term strategic initiatives

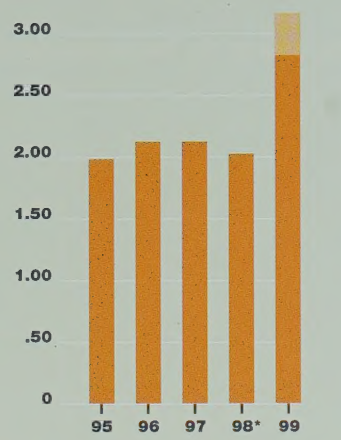
- An accident-free workplace.
- Make Dofasco a valuable investment for our shareholders.
- Stand out positively in the eyes of our customers, for reasons beyond just price.
- Continuously improve our steel manufacturing efficiency.
- Maintain vigilance on reducing operating costs.

ce

Performance

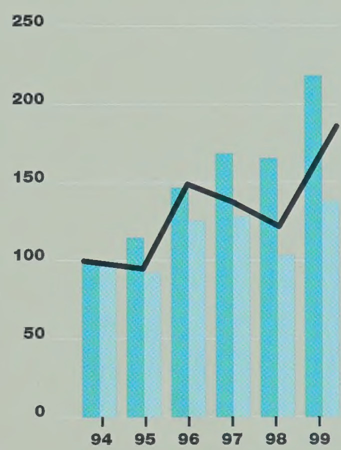
- Further improvement in health and safety performance is required. Although the number of lost time injuries decreased during the year, working time lost improvements were not realized in 1999. We are committed to achieving a significant improvement in 2000.
- Successfully started up DSG on schedule and on budget. The facility is now operating ahead of the planned learning curve.
- Construction on schedule, with start-up scheduled for the third quarter of 2000.
- Improvements in our order fulfillment system resulted in improved deliveries. Continuing to focus on reducing the interval between order and delivery to enhance customer service while reducing inventories and other carrying costs.
- Increased product quality and operating efficiency at Gallatin, contributing to 1.3 million ton shipment level in 1999, more than 40% higher than 1998.
- Project is on schedule and on budget.

- Maintained an unwavering focus on the health and safety of employees across the organization. Nothing is more important.
- Total shareholder return in 1999 (including dividends and share price appreciation) was 52%.
- Product offerings from DoSol Galva and Tube Business differentiate Dofasco from other steelmakers by expanding our product capability, enhancing our position as a supplier of choice to the automotive industry.
- Achieved improved quality and throughput on the Electric Arc Furnace steelmaking stream in Hamilton and at Gallatin Steel in Kentucky. Increased overall shipped yield at Hamilton Operations despite a more difficult, higher value-added product mix.
- Successfully implemented cost reduction opportunities in 1999, resulting in a $25/ton lower cost of sales.



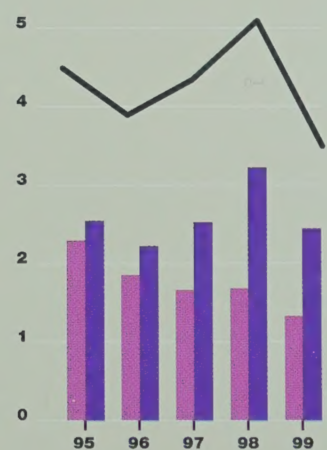
Earnings per share

dollars per common share
Normal operations
Other items
* Restated



Cumulative total return on $100 investment

dollars
Dofasco Inc.
TSE 300 Index
TSE Steel Index



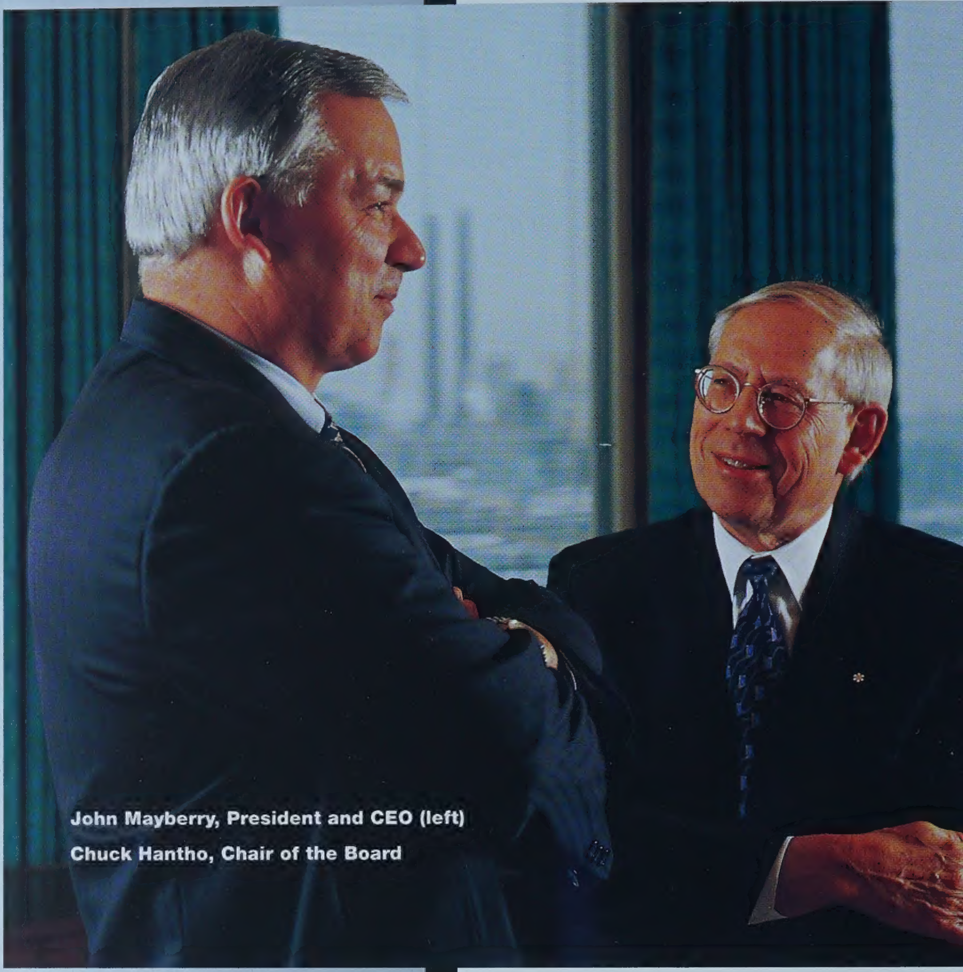
Dividend yield

% as at December 31
Dofasco Inc.
TSE 300 Index
TSE Steel Index

The great thing about opportunity is that it's a renewable resource. You cannot use it up.

More than anything, the last decade in Dofasco's history has been characterized by the pursuit of opportunity – searching for it and taking advantage of it.

The opportunities we've realized in recent years were significant, potentially lucrative and wide-ranging. Some were very broad – such as positioning Dofasco as unique among North American steel manufacturers. Some were very focused – such as capitalizing on our technological expertise and building an entire facility to provide key customers with a new product.



John Mayberry, President and CEO (left)
Chuck Hantho, Chair of the Board

Our growth strategy is based on developing the intellectual capital that resides in Dofasco's employees into a competitive advantage that is difficult to duplicate – harnessing their imagination and their passion to create a platform for growth. In so doing, we have also been able to provide Dofasco people with careers as fascinating and rewarding as any in today's global industry.

Because traditional steel markets appear to be static in size and shrinking in real value, traditional steelmakers have narrowly focused on reducing costs and competing on price. Dofasco follows an entirely different course, based on innovation and value-added products. While we have reduced costs to the point where we are one of the lowest cost and most efficient producers in North America, we have also acted on opportunities to pioneer new products and to capitalize on profitable market niches that produce better returns. In short, we continue to focus on making products our customers will want to buy, and on delivering superior customer service and shareholder value.

Our industry leading results for 1999 are proof that our opportunity antennae are sensitive and astute, and that we have the ability to implement a strategy with excellent results. And the plans we have to expand our market and geographic boundaries through innovation are evidence that with the fundamental strengths of Dofasco's organization, we are ready to act on new opportunities.

Opportunities for customers

The starting point in the search for opportunity is our customer base. To create value for our customers, we must have an intimate understanding of their needs. These relationships grew from and are continuously being strengthened by our *Solutions in Steel*™ strategy, our modern world-class facilities, and our financial strength and stability. Add to these elements an innovative and experienced workforce focused on earning at least our cost of capital across the business cycle, and you have

the foundation for our commitment to create and return value to our shareholders – the foundation for sustainable prosperity.

Value for shareholders

For their part, our shareholders continue to see opportunity as well – the chance to benefit from a partnership with a low cost, high value-added, adaptable and innovative producer positioned to win – the opportunity to grow with the industry leader that Dofasco has become.

Our return on capital is one of the very best worldwide among major steelmakers. Our strong performance has generated a trend of consistently strong cash flows. In 1999, $463 million in cash derived from operations, before changes to the components of working capital, brought our total for the decade to more than $3 billion.

Where we have identified opportunities to invest these cash flows for sustainable returns, we have aggressively pursued them. 1999 capital spending of $186 million means that we have invested more than $2 billion since 1990, improving our operations and expanding our horizons.

We have also returned cash to investors. Over the past decade, dividends, common share repurchases and preferred share redemptions combined have returned well over $1 billion to shareholders. The 1999 total alone, comprised of $84.4 million in dividends and $164.5 million in common share repurchases, was nearly one-quarter billion dollars.

The stock market has recognized our strong performance and prospects. Our total shareholder return in 1999 was 52% from dividends and appreciation in our common shares.

Innovation

The prerequisite for capitalizing on opportunity is innovation and Dofasco is one of the industry's most innovative steelmakers. Over the past five years, we have virtually reinvented our product line and in so doing we've recorded a number of North American industry firsts. Dofasco was:

- the first integrated steel producer to invest in a minimill,
- the first to combine electric arc furnace technology with traditional integrated steelmaking technology,
- the first to invest in a large-diameter tube mill for hydroforming, and
- the first to bring a unique exposed galvanizing technology to North America.

We have also changed the way we measure financial performance and, among major steel manufacturers, we were the first to manage our operations by introducing a variable component to all employees' compensation tied to maximizing the return on capital.

These initiatives extend the long list of firsts that mark Dofasco's history of innovation.

Dofasco's Hamilton facility has long been the Company's foundation. It too has responded to opportunity and now operates one of the most efficient and technologically advanced steel plants in North America.

In 1999, Dofasco Hamilton recorded increased steel throughput and shipments, lower costs, higher operating income, and a higher proportion of value-added products compared to the prior year.

Reflecting the high-tech and innovation driven business that Dofasco has become, Dofasco Hamilton's unique combination of steelmaking technologies means we can fine tune our production levels to up to four million tons of high-quality steel to meet the constantly changing demands of the market.

Several years ago, Dofasco identified an opportunity to meet the needs of a customer for a new and exciting technology and to enhance our reputation as a leading and innovative supplier to the automotive industry. Leveraging our expertise in very exacting steel metallurgy, we decided to build two mills to produce large-diameter steel tubing specifically for hydroformed automotive applications. One mill is operating at full capacity while the second is scheduled to start-up in the third quarter of 2000.

Hydroforming, which involves shaping and stretching a length of tube into complex forms in a mould, under thousands of pounds of water pressure, is a rapidly growing element of vehicle design. It can replace the need to weld dozens of parts together by creating a one-piece part. The result is cost savings, greater reliability and safety, and lighter weight.

The majority of the combined 300,000 ton annual production from Dofasco's two mills will be supplied to strategic customers who use the tubing to manufacture chassis for General Motors light trucks.

Dofasco's newest joint venture is our 450,000-ton DoSol Galva facility in Hamilton, which is owned 80% by Dofasco and 20% by France's Usinor, a world leader in galvanizing technology. It produces corrosion-resistant, galvanized Extragal™ steel, primarily for exposed auto body panels, under an exclusive North American licence.

DoSol Galva products are already widely used by our automotive customers and the plant is expected to reach full capacity by the third quarter of 2000. DoSol Galva's team of experienced Dofasco employees has taken full charge and brought the project in on budget and ahead of schedule, with quality and productivity both at advanced levels.

Our global strategy

Our growth strategy will be increasingly global. As key customers trend toward world-wide manufacturing platforms, successful steel producers must be positioned to provide efficient and timely supply solutions. Dofasco's strategy is to grow globally to support our customers, making selective investments based on a superior understanding of their future requirements, and capitalizing on our knowledge.

Dofasco people – a strategic advantage

We say it every year and we mean it. Dofasco's uniquely flexible workforce is a key competitive advantage.

With our profit sharing program and a variable compensation plan tied to our return on capital employed, all Dofasco people are focused on delivering superior performance and improving our returns. The interests of our entire workforce are aligned with those of our shareholders. We also have a culture – "The Dofasco Way" – that has evolved since the 1930s into a strong set of values.

This working environment has produced a motivated workforce with an extremely low attrition rate and a ten-year productivity gain of more than 50% – twice the rate of the Canadian manufacturing sector.

Dofasco employees work in multi-skilled teams. They have the latitude to find and develop their own opportunities. Our people have been a key to our success and a reason for the marked difference between our results and those of many other steel manufacturers.

We have also created opportunities to both develop tomorrow's employees and involve our people in valuable research and technical projects. We have funded three chairs in advanced studies – one at each of McMaster University in Hamilton and the University of British Columbia in metallurgical engineering, and another at McMaster in process automation and information technology.

One of our fundamental business values is that nothing is more important than the health and safety of our employees. We are committed to ensuring the well being of today's employees through progressive health and safety practices, and by targetting significant and sustained performance improvement.

Our training programs for employees remain a priority. For several years, including 1999, we have invested more than $15 million annually to help Dofasco people develop the skills they need to deliver value to customers. Unlike many companies, Dofasco operates its own skilled trades apprenticeship program, with some 125 people participating in 1999 and 2000.

Strong financial results

For Dofasco, 1999 marked another year in a continuing trend of improving results as we further distanced ourselves from traditional steel producers and posted the best results in the North American steel industry. Both net income and earnings per share were up about 50% over 1998, on a sales increase of 5.4%.

Consolidated net income attributable to common shares in 1999 was $260.2 million, or $3.16 per common share, compared to $173.6 million or $2.02 per common share in 1998. The gains were largely a result of a strong performance at our Hamilton steel operations and a turnaround at Gallatin Steel, our 50% owned minimill in Kentucky.

Sales in 1999 increased to $3.14 billion, while total steel shipments of 4.45 million tons grew almost 10% over 1998.

In the fourth quarter of 1999, Dofasco sold its interest in the Iron Ore Company of Canada which resulted in a pre-tax gain of $31.8 million.

With North American markets still feeling the effect of a surge in unfairly traded imported steel, many manufacturers continued to struggle financially in 1999. By a number of measures, Dofasco led the North American industry in profitability, reflecting our growing portfolio of value-added steel products as well as the success of our various efficiency programs. Dofasco was able to combine strong yields and quality with an improved and extremely good cost performance.

Gallatin Steel, our joint venture minimill, had its best year ever in 1999. Gallatin posted a small loss for the full year, but was profitable for each of the last five months. With intense effort and management focus, Gallatin is now operating at design performance with strong production, revenue and cost numbers. Gallatin is positioned to build on this dramatic turnaround in 2000.

Quebec Cartier Mining, our joint venture iron ore producer, performed well in 1999 despite a significant industry-wide reduction in selling prices. The strong production and cost performance by the QCM team should result in improved profitability in the coming year, particularly if an expected modest improvement in iron ore pricing materializes.

'Triple bottom line of sustainability'

While Dofasco's primary objective is to create value for shareholders, and to be recognized as one of the world's best steel companies, we are committed to sustainability. Because we operate with a "triple bottom line" – a view to environmental, social, and financial performance – we were pleased to be recognized as the steel industry's global leader in the new Dow Jones Sustainability Group Index.

Dofasco was one of only 200 companies chosen from some 3,000 candidates worldwide. The Index tracks the performance of leading industrial companies based on five factors: use of innovative technology, industrial leadership, corporate governance, shareholder relations policies, and social well being.

Dofasco's environmental initiatives are fully covered in our separate annual Environment and Energy Report. It details our record of major improvements in protecting the environment, and underscores our desire for an open, voluntary environmental relationship with government and with the communities where we operate. Our initiatives include the funding of programs in environmental studies at both Queen's and York universities.

In February, the Board of Directors approved an increase in its number from 12 to 14, to facilitate succession planning for the Board. At the same meeting, two new directors were appointed to complete the increased complement. They are Sylvia D. Chrominska, Executive Vice President, Human Resources of The Bank of Nova Scotia and Brian F. MacNeill, President and CEO of Enbridge Inc. of Calgary, Alberta.

Opportunities abound. We are operationally and financially prepared to capitalize on them. While we are justifiably proud of our accomplishments in the 1990s, we will not break stride in looking for the next challenge, for the right opportunity to differentiate ourselves in the market and to distinguish ourselves to investors.

In the end, we still make steel, but increasingly the value to our customers is in product-focused manufacturing, in precise metallurgical control, in finished product attributes, in reliability and delivery, and in our ability to work with them for mutual strategic advantage. Dofasco's continuing opportunity is to ensure that we contribute value through the knowledge we embed in products that benefit globally-oriented customers.

Every year – because it's timely and public – we take the opportunity presented by the annual report to thank our employees, our customers, our suppliers and our shareholders. In fact, they earn our gratitude every day for their support and for their contribution to a remarkable Canadian success story.

Chuck Hantho

Chuck Hantho
Chair of the Board

John Mayberry

John Mayberry
President and Chief Executive Officer

March 31, 2000

Believe

in yourself

setting your sights higher.

A licence to make money!

In 2002, the European Community will introduce its new currency, the Euro, in 11 countries, and about 10 per cent of the 80 billion coins that will be put into circulation will be made from Dofasco steel. We believe the integrity of our manufacturing processes and our quality are among the best of any steel company in the world. The in-depth quality audit we underwent before being awarded the contract confirmed that belief. As a result, Dofasco – a Canadian steelmaker – is now an official supplier to the European Community and to the largest coinage project in history.

Expand your horizons

Dofasco has taken the search for opportunity to a new level for the steel industry. We have given our brightest R&D minds the freedom to search the world for opportunities to develop new applications for steel and new business for Dofasco. Breakthrough technologies are the primary focus of Dofasco's Innovation Group. D'Arcy Clifford and Christy Towers (above) examine one remarkable example – a revolutionary and patented steel composite material being developed to radically reduce the weight of conventional steel in transportation applications, while still harnessing the inherent strength and durability of steel. Called Zyplex™, it also provides exceptional design flexibility and can be tailored to meet specific users' weight and strength specifications.

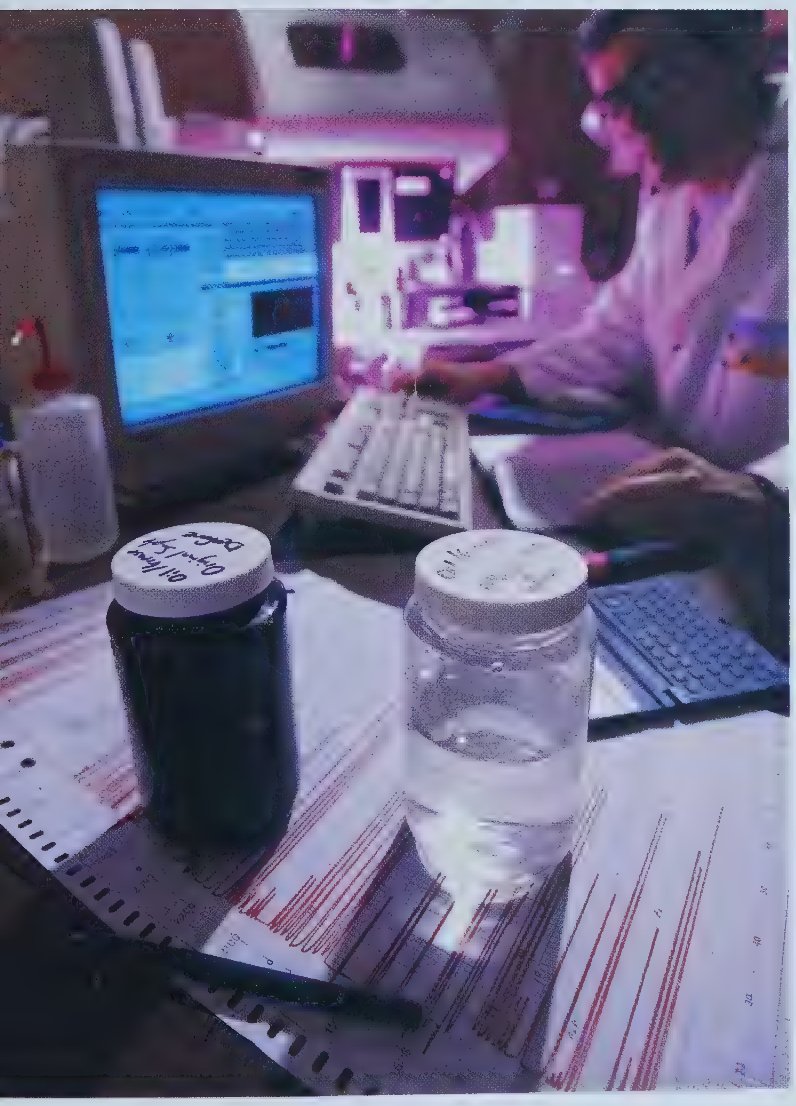
Exceed your obligations

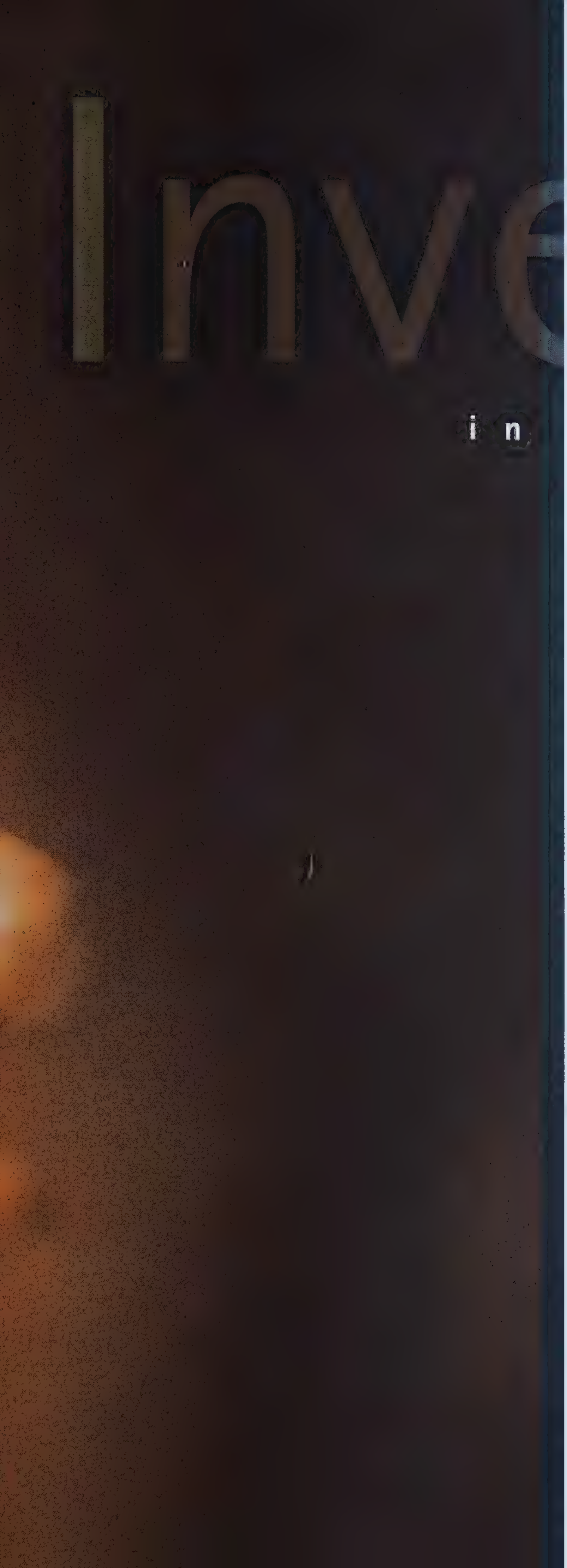
Technology is challenging "conventional wisdom" on many fronts. The traditional view of steel as an environmentally unfriendly heavy industry is one them. At Dofasco, we believe steel can be manufactured without compromising the environment and we have committed ourselves to a variety of critical achievements that go beyond the requirements

Zyplex™ is a trademark of Dofasco Inc.

of law. Last year, we received the 1999 Vision 2020 award in recognition of a decade of environmental advances in our primary water treatment system. Most important, we have added carbon dioxide injection, one of the most advanced water-treatment technologies. This process, which is similar to the one used in carbonated soft drinks, removes up to 98% of the impurities from all the industrial water used at Dofasco. In effect, the water we return to the environment is often cleaner than when it came into the plant.

Last year, we said that one of the characteristics of leaders is their readiness to face their challenges head on. Over the past few years, one of our biggest challenges has been transforming Gallatin Steel's performance into a positive contribution to our overall results. In 1998 and early 1999, these efforts were complicated by the flood of unfairly traded steel from overseas. Our belief in Gallatin's ability to succeed did not waver. In 1999, we began to be rewarded for our commitment. Through the efforts of Don Daily and his team, Gallatin reached its design capability in 1999, achieved a number of operating records, and delivered positive earnings in the last half of the year. Gallatin is now one of North America's lowest cost producers.





in yourself

Put your money where your mouth is.

Protect what's really important

Nothing is more important than the health and safety of our people. At Dofasco, we continually examine the effectiveness of our health and safety awareness programs using objective internal and external evaluators, and search for opportunities to improve. Our employees recognize the absolute need for excellent health and safety performance. Their leadership in the drive to achieve this is evidenced by the record of the Open Coil Annealing division of Cold Rolled Products Finishing. In October 1999 they reached 3,000 days – more than eight years – without a lost-time injury.

Innovation sells

The best way to stand out from the competition is by offering your customers something new and something of value. Dofasco's tube mills do exactly that. We were the first steelmaker in North America to produce large-diameter steel tubing specifically for hydroformed automotive applications. One-piece hydroformed parts, created under intense water pressure, require substantially fewer welds than traditionally made parts. They are also more reliable, lighter, safer and – most important to the automotive industry – less expensive to manufacture. With these mills, we have secured the tubing business for two of the largest truck programs in the world.

Maintain the technology edge

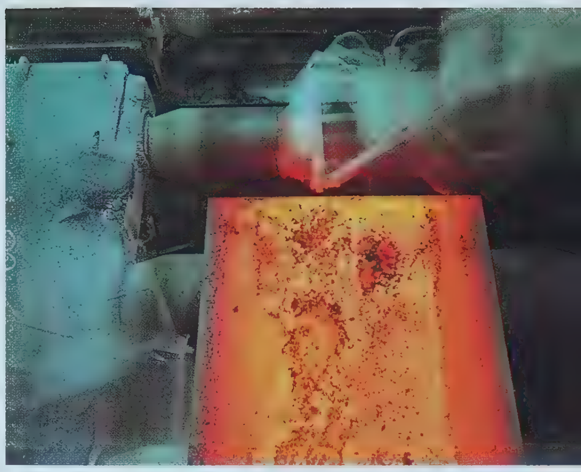
In 1999, Dofasco invested in Ivara Corporation to commercialize the leading-edge preventive maintenance practices we developed for our own use, and assigned several Dofasco people to work on the project at Ivara. The result has been an opportunity to expand our technological and marketing expertise and to explore future market growth potential for Dofasco technologies.

We also invested in e-STEEL Corporation, an online exchange comprised of more than 1,000 steel and steel-related companies from more than 60 countries. Dofasco will be the

development site for a new communications system that will enable Internet-based electronic sharing of information between buyers and sellers of steel products.

Our investments in Ivara and e-STEEL, along with our developmental role in the Automotive Network eXchange, or ANX – the Automotive Industry Action Group's private Internet – will help us learn how we can turn e-commerce into a strategic competitive advantage, and create value for ourselves and our customers.

Over the past decade, Dofasco has been transforming all its operations to what can only be described as high-tech status. Process automation technologies have continually improved the productivity and quality of our manufacturing and finishing operations. One such example is our extensive use of robotics in our Mechanical Testing Lab. Custom designed robots, integrated into a sophisticated automated system, test the mechanical properties of every coil of steel produced at Dofasco 24 hours a day.



For hundreds of university and college students, co-op program work-term assignments are their first taste of a career in business and their first opportunity to put their skills and knowledge to the real test. At Dofasco, co-op students work side-by-side with full time employees as members of the team. They not only observe and learn, they are assigned real responsibilities and encouraged to provide input to real decisions. Co-op programs provide Dofasco an invaluable opportunity to introduce Canadian students to the challenges and rewarding careers in the steel industry.

Andrew Lee is a Computer Sciences student in Dofasco's Information Systems Department. Katrina McFadden, a Chemical Engineering graduate of the University of Waterloo, worked as a co-op student at Dofasco before joining us full time.

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... *Solutions in Steel*™ ...

Enhancing our community

During the 1990s, Dofasco and its employees have donated more than $20 million to a variety of non-profit sectors, including post-secondary education, health care, arts and cultural organizations. As well, Dofasco people are involved as volunteer leaders and contributors to many worthy community organizations.

Dofasco's Male Chorus has a richly deserved reputation for the quality of their music. Their annual Christmas Concert provides joy to thousands of people. In 1999, Dofasco donated the proceeds from the concert and from the sale of 2,000 copies of the Chorus' Christmas CD to a local children's charity, the CHML Christmas Tree of Hope.

Galvanized steel is widely used by the worldwide automotive industry to fight the effects of corrosion on exposed vehicle body panels. Automotive manufacturers constantly demand better quality and lower costs.

Dofasco saw an opportunity to meet their needs by capitalizing on a number of its strengths — our history of searching far and wide for the best technology for a new product, our ability to invest in those technologies, and the close, product-oriented relationships we have with our customers.

Two years ago we sought out the Sollac division of France's Usinor, a recognized world leader in galvanizing technology, and developed plans for a Canadian manufacturing base for Extragal™ — an improved, corrosion-resistant galvanized steel. The result was DoSol Galva, which began operating its state-of-the-art hot dip galvanizing line in Hamilton in 1999.

Our automotive customers now have access to a globally available, high quality, cost competitive material that previously was not available in North America.

Creating value for shareholders

What do we mean by "creating value for shareholders?" Simply put, it means making shareholders' investments in Dofasco grow, through dividend payments and through growth in the value of our common shares. And it means achieving this growth in an ongoing and sustainable way.

This is our commitment to our shareholders:

- Our focus is on earning our cost of capital.
- We will only pursue growth opportunities on which we can earn our cost of capital.
- Where appropriate, we will return money to our shareholders.

What value have we created for Dofasco's shareholders?

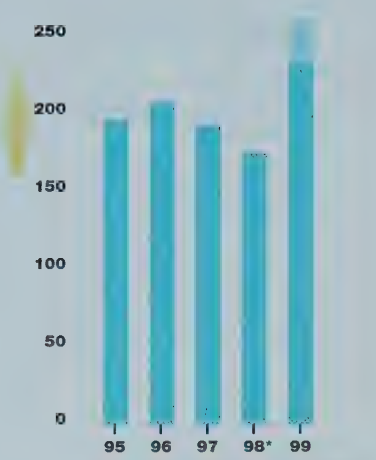
Our results are among the best in the industry. Our return on capital is among the very best worldwide among steelmakers. We have invested $2 billion in the 1990s in new technologies, operating improvements and ventures to meet the future needs of our customers.

In 1999, our total return to shareholders was 52% in dividends and share appreciation, and we returned another $165 million through common share repurchases.

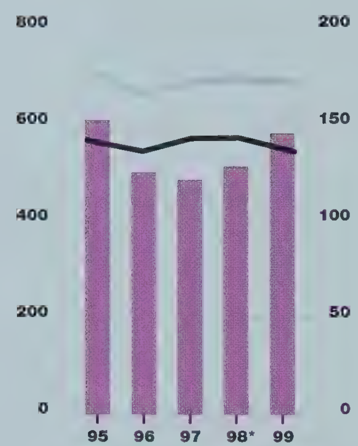
Dofasco's values haven't changed through the years, and we don't expect they will in the future. Our employees don't just work for Dofasco, they are essential to Dofasco's success – they are Dofasco. They know what must be done to create value for shareholders, for customers and for the community. With our variable compensation and profit sharing programs, we ensure that everyone is pulling in the same direction and that when we reach the finish line first, everyone shares in the victory.

Dofasco's Recreation Park illustrates this mutually beneficial attitude well. Our employees and their families have enjoyed the park,

along with its ball diamonds, rinks, tennis courts and other facilities for more than 20 years. It is home to our recreation program that incorporates more than 40 leagues and activities, all organized and run by employee volunteers.



millions of dollars
Normal operations
Other items
* Restated



dollars per net ton
Revenue
Cost
Gross income (right hand scale)
* Restated

Results of operations

Dofasco Inc. is a steel manufacturer that, through its *Solutions in Steel*™ strategy, provides value-added products to its customers. Dofasco financial information is provided for its three main operations:

- Steel Operations (which includes Hamilton operations, Dofasco USA Inc., and Dofasco's share of Baycoat, DNN Galvanizing, DoSol Galva, Sorevco and Wabush Mines);
- Gallatin Steel Company; and
- Quebec Cartier Mining Company (QCM).

Note 18 to the Consolidated Financial Statements provides segmented information for each of these three operations.

Effective January 1, 1999, the Company adopted changes in accounting related to Income Taxes and Post-employment benefits. 1998 results have been restated to reflect those changes. See Note 2.

Net Income

With strong results from its Hamilton operations and greatly reduced losses at Gallatin Steel, Dofasco's 1999 consolidated net income of $260.8 million was its best result in the past decade. After deducting preferred share dividends, consolidated net income attributable to common shares for 1999 was $260.2 million ($3.16 per common share), compared to 1998's restated earnings of $173.6 million ($2.02 per share).

In 1999, Dofasco sold its investment in the Iron Ore Company of Canada (IOCC) which produced an after-tax gain of $28.0 million ($0.34 cents per share). Excluding this gain provides a more appropriate comparison of year-over-year financial improvement. Without the effect of the IOCC sale, earnings of $232.2 million were 34% higher than the 1998 earnings of $173.6 million. On a per-share basis, this equates to $2.82 per common share in 1999, a 40% increase over $2.02 per common share in 1998.

Contributions from operating segments

Income from Steel Operations, before income taxes and excluding the pre-tax gain on the IOCC sale, was up 23% to $346.6 million in 1999, an increase of $64.7 million from $281.9 million in 1998. Most of this improvement was a result of significantly higher earnings from our Hamilton operations where steel shipments increased and the cost per ton shipped was reduced. This cost improvement can be attributed to higher throughput, lower raw material costs, and the absence of costs incurred in 1998 for major maintenance projects.

While still reporting a loss for the year, Gallatin Steel posted dramatically improved results. Dofasco's equity share of Gallatin's 1999 loss, before income taxes, was $4.7 million, down significantly from a loss of $31.2 million in 1998. 1999's results include pre-tax profits in each of the third and fourth quarters of $1.2 million and $7.6 million respectively. Gallatin's improved operating and cost per ton performance, and stronger U.S. markets for hot rolled products, combined to produce higher shipments, higher revenues and the improved financial results.

Dofasco's share of QCM's income before income taxes was $9.9 million in 1999, compared with $39.8 million in 1998. The main reason for the decline was substantially lower world iron ore selling prices in 1999, which reduced QCM's base prices by 12% to 14%.

Gross Income

Steel Operations

Gross income from Steel Operations increased by $77.8 million, or 15.1%, to $594.3 million in 1999. Gross income from Hamilton operations, the largest component of Steel Operations, increased from higher shipments of flat rolled and tubular products, an improved sales mix and lower costs per ton shipped. This strong gross margin performance more than offset a decline in the contribution from the joint ventures that comprise the other components of Steel Operations.

Sales

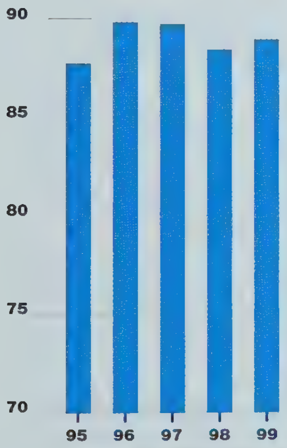
Demand for Dofasco's flat rolled steel products remained strong throughout 1999. Despite lower average revenue per ton, total sales revenue for the year was $2,760.0 million, an increase of $107.4 million, or 4.0%, from 1998. Three major factors contributed to the increase:

- Higher shipments – Flat rolled and tubular product shipments grew 4.8% to 3,806,000 tons in 1999, compared with 3,631,000 tons in 1998. The successful start-up of the DSG line in mid-1999, the continued ramp-up of the tube mill and a reduction in steel inventories combined to account for the increased shipments.
- Improved product mix – Dofasco's focus on value-added steel in its production continued to pay off in 1999. With the start-up of DoSol Galva, galvanized shipments to North American customers increased to almost 39% of total flat rolled shipments.
- More efficient operations – In addition to higher volume, the proportion of prime flat rolled steel shipments increased as a result of Dofasco's emphasis on continually improving operating efficiency.

These improvements more than offset a slight reduction in average revenue per ton in 1999. Although selling prices improved steadily throughout 1999, they did not fully recover from the significant and rapid decline in spot selling prices, particularly for hot rolled products, that occurred in the last half of 1998 because of higher levels of unfairly traded imports.

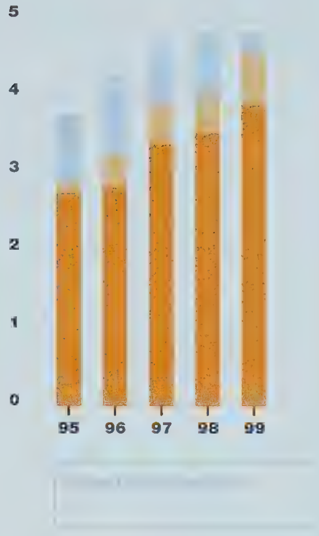
Total cost of sales for the year increased by 1.4% to $2,165.7 million, a increase of $29.6 million from 1998. However, Dofasco continues to reduce its average cost per shipped ton of flat rolled and tubular products. This accomplishment is even more significant given the higher value-added mix in 1999. Two major factors contributed to the reduction:

- We processed 537,000 fewer tons of purchased slabs and hot band in 1999 compared with the prior year, representing savings of $54 million. Our 1998 consumption was higher than normal due to planned major maintenance projects that reduced internal production.

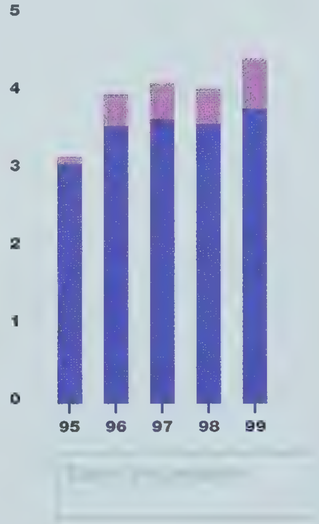


Shipped yield
Hamilton operations

percentage



millions of net tons
Hamilton production
Gallatin production
Purchased semi-finished steel



millions of net tons
Hamilton
Gallatin

- Raw material prices, primarily for scrap and iron ore, were $27 million lower than in 1998.

These reductions were offset by increased costs that resulted from higher variable costs associated with increased shipments, higher wages (primarily variable compensation) increased benefit costs and higher profit sharing expense.

Gallatin Steel

Although it did not report a profit for the full year, Gallatin Steel's 1999 performance was an outstanding turnaround, as the joint venture delivered greatly improved shipments, production and financial results. Dofasco's share of Gallatin's gross income was $15.4 million, a $23 million improvement over 1998. Gallatin's record shipments and a dramatic improvement in operating performance more than offset the impact of lower year-over-year average selling prices. Gallatin's encouraging second half performance provides optimism for the future.

Dofasco's share of Gallatin's total 1999 revenue increased 28.1%, or $54.4 million, to $248.2 million. Our share of Gallatin's shipments increased 199,000 tons, or 44.2%, over 1998 to 649,000 tons. The shipment increase and a modestly improved product mix more than offset the impact of substantially lower average prices.

Despite the 1999 rebound in hot rolled markets from an import-driven downturn that bottomed in the fourth quarter of 1998, and significant price increases throughout the year, Gallatin's average year-over-year revenue per ton did decline. Trade actions initiated by a number of U.S. producers, including Gallatin, led to a significant reduction in the level of hot rolled imports into Gallatin's highly competitive markets.

Dofasco's share of Gallatin's 1999 cost of sales increased $31.4 million to $232.8 million, largely as a result of higher production and shipments. Gallatin achieved a significant reduction in average cost per ton due to a combination of higher volumes, improved operating practices (particularly in the melt shop), and significantly lower scrap, power and alloy costs.

Quebec Cartier Mining

Dofasco's $48.7 million share of QCM's gross income in 1999 was $31.0 million lower than in 1999, largely as a result of substantially lower world prices for iron ore.

Dofasco's share of QCM's revenue was $278.7 million, down $20 million from 1998. The main factor in the revenue decline—a 12 to 14% reduction in iron ore selling prices—was partially offset by higher iron ore shipments, a higher proportion of pellets in the sales mix, and a weaker Canadian dollar.

Following weak demand for iron ore in the early part of 1999 caused by lower North American and European steel production, the market did improve in the second half.

st of sales

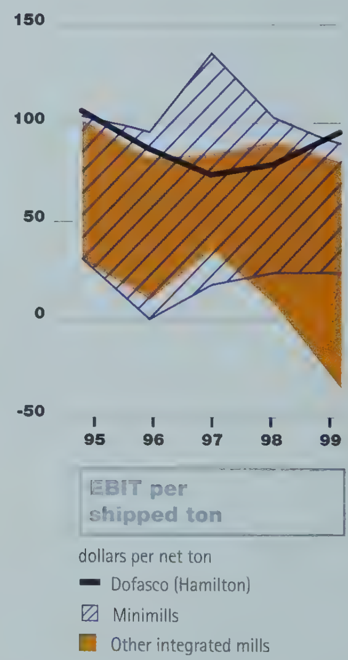
Dofasco's share of QCM's cost of sales increased by 5.0%, or $11.0 million, to $230.0 million in 1999. The cost increase was caused primarily by higher shipments and by sales of a higher proportion of pellets that are more costly to produce than concentrate. QCM demonstrated success in controlling costs during a difficult market period, with a minimal increase in unit costs per tonne, despite declines in concentrate and pellet production of more than 10% and 7% respectively.

Dofasco Inc. consolidated results

Consolidated gross income in 1999 was $663.0 million, a 13.4% increase over $584.5 million in 1998.

Depreciation and amortization

Dofasco's consolidated annual depreciation expense increased by $7.7 million to $256.0 million. An increase in depreciation in Steel Operations, which included a small asset write-off in Hamilton and seven months of depreciation for DoSol Galva following start-up, was partly offset by lower depreciation at Gallatin Steel.



Interest on long-term debt

Interest expense in 1999 decreased 12.9% to $60.8 million, from $69.8 million in 1998 as a result of scheduled debt repayments at Dofasco, QCM, DNN, and Sorevco.

Interest and other income

Interest and other investment income in 1999 totaled $10.2 million, a $9.8 million decrease from 1998 income that included a small pre-tax gain on the sale of our investment in Samuel-Whittar, and higher interest income from recoverable dump duty deposits.

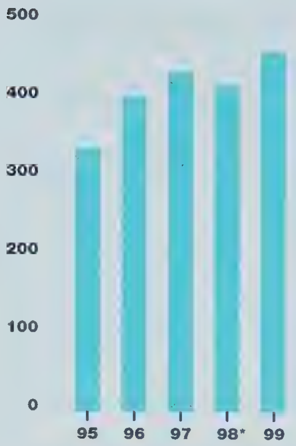
Gain on sale of IOCC

In 1999, Dofasco sold its equity investment in the Iron Ore Company of Canada for cash proceeds of $36.9 million (U.S. $25.0 million). A pre-tax gain of $31.8 million was recorded based on the carrying value of the investment at the time of sale.

Income taxes

Dofasco's 1999 income tax expense was $133.3 million on pre-tax income of $388.2 million, for an effective tax rate of 34.3%. In 1998, income tax expense was $112.5 million on pre-tax income of $286.4 million, for an effective tax rate of 39.3%. There were two main reasons for the decrease in the effective tax rate:

- The reduced significance of Gallatin Steel's losses relative to consolidated income. Although the Gallatin losses were not tax effected in either year, the proportion of 1999 consolidated income represented by Gallatin losses is significantly lower than in 1998.
- The use of capital loss carry-forwards to reduce the lower effective tax rate on the capital gain from the sale of our interest in the Iron Ore Company of Canada.



(before changes in working capital)
millions of dollars
* Restated

Cash Flow

Dofasco's ability to generate cash from operations is one of the Company's greatest strengths and the foundation for our focused capital investments in facilities to produce value-added products. Dofasco's strong cash flow performance continued in 1999 with cash derived from operations, before changes in operating working capital, of $463.2 million, up 10.6% from $418.9 million in 1998.

After changes in the components of operating working capital, cash derived from operations was $568.6 million, compared to $363.7 million in 1998.

Consolidated inventories decreased $11.9 million, or 1.5%, to $772.7 million at the end of 1999 from $784.6 million a year earlier.

Hamilton inventories, including DoSol Galva, decreased by $10 million, with hot band inventory drawn down during the year to support increased finishing production. Work-in-process and finished goods inventory increased year-over-year.

QCM's inventory decreased by $19 million from the high levels of a year earlier that were caused by low fourth quarter 1998 shipments. QCM adjusted its production schedule in late December 1998 and early January 1999 to limit the increase in iron ore inventories.

Inventories at Dofasco's other joint ventures increased by $17 million, including a $7 million increase at Gallatin Steel, largely comprised of higher scrap volumes to support higher operating rates, and a $4 million increase at Sorevco, in part to provide sufficient inventory to continue shipments during a planned one-week shutdown in January, 2000.

Consolidated accounts receivable at year-end 1999 of $382.3 million were $19.6 million higher than at December 31, 1998.

An $11 million decline in accounts receivable at the Hamilton operations, largely because of dump duty refunds and associated interest included in the 1998 receivables that were received during 1999, was offset by increases of $31 million in accounts receivable at our joint ventures. These increases, primarily at Gallatin Steel and QCM, reflect higher year-over-year sales revenue for December.

Consolidated accounts payable increased to $392.1 million from $316.2 million a year earlier. Major reasons for the increase include a higher provision for variable compensation payments in Hamilton, and higher payables at Gallatin Steel to support their higher operating rates.

Income and other taxes

Dofasco's 1999 Consolidated Balance Sheet includes $56.7 million in income and other taxes payable, largely consisting of the outstanding liability for 1999 income taxes which were paid in February, 2000.

Dofasco's investments in upgrading existing facilities and building new facilities are key to the success of our strategy. Our 1999 capital expenditures of $186 million included $52 million for the DoSol Galva facility, $16 million for our second tube mill in Hamilton, $15 million for the #5 ore bridge, $10 million for automation control upgrades at the tin mill and $8 million for the hot band improvement program.

Dofasco paid out a total of $84.4 million in dividends during 1999, down slightly from $86.6 million in 1998. Preferred share dividends accounted for $0.6 million of this total in both 1999 and 1998. 1999 common share dividends declared were $82.2 million, down from $85.7 million in 1998 due to the lower number of common shares outstanding as a result of the common share repurchase program. In both 1999 and 1998, common share dividends were paid quarterly at a rate of $0.25 per share.

Long-term debt repayments in 1999 of $74.3 million and $104.0 million in 1998 related to scheduled debt repayments at Dofasco, QCM, DNN and Sorevco.

Common shares issued

In both 1999 and 1998, Dofasco issued common shares only through its Employee Stock Option Plan. Cash raised as a result totaled $2.3 million in 1999 and $0.6 million in 1998.

Normal course issuer bids

Dofasco has determined that the repurchase of its common shares for cancellation is an appropriate means of enhancing shareholder value and, as a result, has undertaken significant programs in each of the last two years. During 1999, Dofasco purchased and cancelled 6.6 million common shares for $164.5 million under two separate and consecutive normal course issuer bids. This represents 7.8% of the common shares at the beginning of 1999.

Under the second of these bids, which expires September 13, 2000, Dofasco was entitled at December 31, 1999 to repurchase a further 3.7 million shares on the open market.

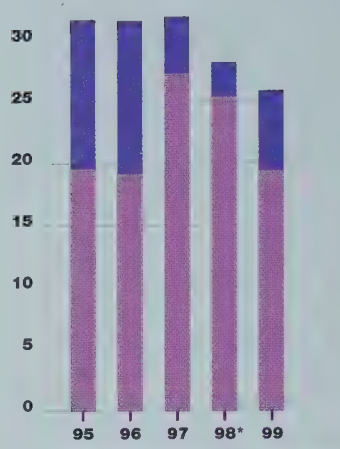
Cash and cash equivalents

Dofasco's consolidated cash position, including cash equivalents, increased by $103.8 million to $197.1 million at the end of 1999 from $93.3 million at the end of 1998.

Dofasco continued its strategy of maintaining a strong balance sheet in 1999. At year-end 1999, the ratio of total debt to total debt plus equity was 25.9%, an improvement on 28.2% at December 31, 1998. After deducting cash reserves, the ratio of Dofasco's net debt to net debt plus equity was 19.4% at the end of 1999, compared to 25.4% a year earlier.

Available credit lines

Dofasco has in place $200 million in revolving bank credit, available until October 21, 2001.



Debt to debt plus equity ratio

% as at December 31

Net debt

Total debt

* Restated

At December 31, 1999, none of this revolving line had been used and the entire amount remained available.

Managing foreign exchange risk

Dofasco and some of its joint ventures use forward foreign exchange contracts to limit exposure to unfavourable changes in interest rates, foreign exchange rates, and the price of certain commodities. Dofasco believes that its exposure to credit and market risks for these financial instruments is negligible, and, as of December 31, 1999, had no associated significant unrealized gain or loss. Dofasco does not hold or issue derivative financial instruments for trading or for speculative purposes. The details of Dofasco's foreign exchange hedges at year-end 1999 are set out in Note 16 to the Consolidated Financial Statements.

Labour relations

Dofasco has a long history of treating its employees fairly and with respect. Many of the people throughout the organization, including all those at Hamilton operations, participate in various forms of profit sharing, gain sharing and variable compensation plans, and thereby share in the company's financial success. Some employees at QCM and Sorevco are represented by labour unions. All other Dofasco employees are not unionized. Dofasco continues to enjoy positive relations with its entire workforce.

Steel Trade

Canada

While reduced from the unprecedented levels of 1998, imports of unfairly traded hot rolled steel continued in 1999. Dofasco and other Canadian steel producers were successful in proving dumping and injury against hot rolled imports from France, Russia, Romania and Slovakia. Imports from these countries stopped after the injury ruling in July of 1999. While imports from other countries continued, overall volume was down by almost 50%.

Dofasco and other Canadian producers were also successful in proving dumping and injury against imports of cold rolled steel from Belgium, Russia, Slovakia and Turkey. Imports from these countries stopped after the injury ruling in September of 1999.

In 1999 the Canadian International Trade Tribunal (CITT) conducted its five-year review of dumping duties levied against galvanized shipments into Canada. The CITT ruled that imports of non-automotive galvanized from Brazil, Germany, Japan, South Korea and the U.S. will remain subject to the anti-dumping action for a further five years.

Despite these findings, imports of cold rolled and galvanized steel into Canada from other countries were at record levels in 1999, approximately 25% and 63% higher than 1998, respectively. This is a significant concern to Dofasco, and we will continue to monitor imports closely to ensure they are fairly traded. Where necessary, Dofasco will aggressively pursue trade actions.

In the U.S., steelmakers were successful in trade actions against dumped imports of hot rolled steel from Brazil, Japan and Russia.

U.S. steelmakers have also filed cold rolled dumping cases against 12 countries. Canada is not included. Final dumping and injury rulings are expected by the end of August.

The United States Department of Commerce (DOC) continues to review data submitted by Dofasco concerning shipments of corrosion resistant steel into U.S. markets. They have determined that an anti-dumping duty of 1% will apply on Dofasco shipments from August 1, 1996 through July 31, 1997, and of 0.16% on shipments from August 1, 1997 through July 31 1998. The DOC is now reviewing data for Dofasco shipments from August 1, 1998 through July 31, 1999.

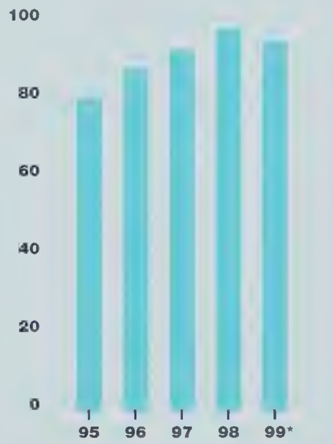
Market Outlook

With sound fiscal and monetary policies on both sides of the border, North America's strong economic expansion continued in 1999 with about 4% growth in both Canada and the United States.

These monetary policies, reflecting a low inflationary environment, maintained interest rates that supported strong growth in both consumer spending and business investment.

With the strengthening of offshore economies following the 1998 impact of the Asian financial crisis, export growth in 1999 was also an important factor in maintaining economic activity in Canada and the U.S.

While economic growth is expected to cool somewhat in 2000, it is likely to remain healthy with an approximate 3% improvement projected in both Canada and the U.S. In the strong Ontario economy, 1999's growth of about 5% was due largely to the health of the automotive and construction sectors. Ontario's growth is expected to moderate in 2000 as well, to approximately 3.7%.



millions of net tons
* Estimated

With the increased consumer confidence that results from strong job growth, low unemployment, real wage increases, low inflation and low interest rates, consumer spending will remain healthy, with expected growth of about 3% in 2000 in both Canada and the U.S., following 3% and 5% respective increases in 1999.

The positive momentum in business investment that resulted from strong growth in pre-tax

corporate profits in North America should continue through 2000, as demand growth continues to boost capacity utilization rates.

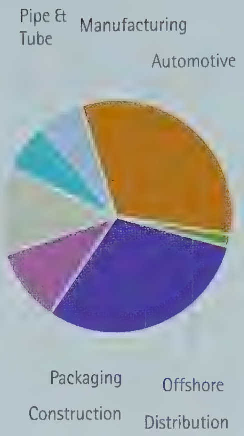
North American consumption of flat rolled steel increased by some 2.5% in 1999, while demand declined about 3.5% due to a significant inventory draw-down in the U.S. market.

While consumption in 2000 is expected to drop slightly, customers will need to purchase additional steel to offset inventory drawn down in 1999. This means demand will be moderately higher—about 2% more than 1999 levels in both the U.S. and Canada. These expectations would put U.S. demand in 2000 at just under its record 1998 level, while Canadian demand should hit another record high.

Longer-term comparisons illustrate the strength of flat rolled steel demand growth over the last few years. U.S. demand in 1999 was more than 50% higher than its cyclical low in 1991, and 32% higher than the last cycle high in 1988. Canadian demand in 1999 was almost 90% above the 1991 cyclical low and 47% higher than the 1988 cycle high.

This performance is clearly more than a cyclical market recovery. With innovation and strong marketing by the steel industry, North American economies are increasingly embracing expanded applications for flat rolled steel products.

With expected continued strong demand from the industries that are critical to our success, Dofasco is investing $138 million to improve the quality, capability and output of our #2 Hot Strip Mill. These improvements will keep Dofasco at the forefront of hot mill technology and quality, and will allow us to meet our customers needs for more quality hot rolled steel.



The automotive industry, which is critical to the success of Ontario's economy and to the steel industry, was stronger than ever in 1999, with record vehicle sales and production in North America.

Combined Canadian and U.S. vehicle sales were 18.9 million in 1999, 6.2% more than the previous record total of 17.8 million in 1986. 1999 vehicle production of 16.1 million outperformed the previous high of 14.7 million in 1997.

Vehicle production growth in Canada of 20% exceeded the U.S. performance of 9%. As a result, Canadian steel mills shipped 14% more flat rolled steel to automotive customers in 1999.

While vehicle sales are expected to decline slightly in 2000, they will remain buoyant. Analysts predict a 3% to 5% decline to the 18.0 to 18.4 million unit range in North America, which would still be the second strongest level of the past decade. Vehicle production will reflect the expected drop in sales and may decline as much as 4% in 2000.

The steel industry will continue to benefit from the growing popularity of the truck segment, which includes minivans and sport utility vehicles that require more steel for their manufacture. In North America, trucks accounted for about 50% of 1999 sales last year and may exceed car sales in 2000.

onstruction

Steel demand is expected to rise about 1% in the overall Canadian construction market in 2000, based on a stable economic environment, growing opportunities for steel to replace competitive materials, and a favourable exchange rate for Canadian construction customers.

With employment growth, rising disposable income, and favourable housing market conditions leading the way, 1999 Canadian residential construction starts grew 7% over 1998, a year when Ontario trades strikes negatively affected performance. Shipments of flat rolled steel tonnage directly from Canadian steel mills to domestic construction customers increased about 2% in 1999.

The strong economy also stimulated housing production and sales in the U.S. as 1999 starts were up 3% over the strong 1998 levels.

The same economic environment that produced growth in 1999 should continue to support the residential housing sector in 2000, although at slightly slower growth rates.

Growth in housing starts in Canada will slow somewhat to 5% in 2000, with Ontario showing the highest and most stable strength regionally. In the U.S., a forecast 8% decline still leaves total starts above 1997 and close to the housing production capacity.

In both Canada and the U.S., residential framing offers a huge, and as yet largely unrealized, potential for flat rolled steel to replace

lumber. The North American steel industry is actively promoting the benefits of steel in residential construction.

Canadian non-residential building starts in 1999 declined about 13% from the strong levels of 1998. The prediction for 2000 is for a further 3% decline.

U.S. non-residential activity, which unlike Canada has fully recovered to the building levels of the late eighties, performed at near capacity in 1999. This level of activity is expected to remain steady throughout 2000.

Manufacturing

Canadian manufacturing activity in the non-automotive sectors of the economy was up 6% in 1999. Steel related groups in this diverse sector experienced mixed results after strong growth in 1998.

With active housing construction, consumer confidence and growing export opportunities, shipments of flat rolled steel products to Canadian appliance manufacturers grew 15% in 1999. With the expected easing in Canadian residential construction, a further 5% increase is expected in 2000.

Adjustments in steel inventories moderated the strong demand for steel in the electrical machinery sector, as 1999 shipments finished about 7% below 1998's strong levels. Demand is expected to remain strong in 2000, with about 3% growth.

Reduced activity in the railway, shipbuilding, and agriculture sectors caused a 15% drop in Canadian steel mill shipments to other manufacturing sectors during 1999 from the strong 1998 levels. Demand from general manufacturing is expected to remain steady in 2000.

Following a slow start to the year, reduced steel imports and a revival in oil country tubular goods helped the pipe and tube sector finish 1999 strongly, with overall shipping levels similar to 1998.

One of the positive segments in the tubular market has been mechanical tubing, used for hydraulic cylinders, mechanical parts for automotive and many construction applications. 1999 steel production volume for this market finished more than 20% ahead of 1998.

Overall pipe and tube production in Canada in 2000 is expected to be close to 1999 levels, as higher oil country activity will be offset by somewhat lower demand from the automotive and construction industries.

The North American processed food packaging, aerosol and other consumer product markets such as paint and chemicals, continued to provide stable demand for tinplate steel in 1999, with Canadian mill shipments up about 8% over 1998. U.S. steel can shipments in 1999 were also up slightly from 1998 levels.

Overall North American demand in this sector in 2000 is expected to hold steady.

Dofasco is Canada's only supplier of tinplate to this market. We are currently upgrading our tin mill facilities and increasing capacity to enable further inroads in the North American market.

Canadian steel mill shipments to industrial packaging producers in 1999 were down 5% from 1998. The main factors in the decline were lower drum, pail and strapping requirements from the Canadian chemical, petroleum, heavy equipment and forestry industries, and competition from alternative materials.

Shipments in 2000 are expected to be close to 1999 levels.

Service centre activity remained strong in 1999 as a result of North America's overall economic environment, record automotive production, and an active construction market.

Shipments by the Canadian service centre industry in 1999 were 5% ahead of strong 1998 levels. With active end-user markets and a 40+% reduction in hot rolled imports into Canada, service centre purchases from domestic steel mills grew by more than 15%.

Canadian service centre steel requirements are expected to grow a further 3% in 2000, as service centres continue to improve their processing capability, especially in pickling, slitting and blanking.

Risks and uncertainties

Dofasco's financial performance may be affected by a number of factors that relate to the level of activity and stability, both in the economy in general and to the steel industry in particular.

The steel industry has historically been characterized by cycles in supply and demand that relate to the general economic environment in North America and to the level of manufacturing activity in several key industries such as automotive, construction, packaging, consumer goods, and oil and gas. In the valleys of these cycles, the financial performance of North American steel companies has typically suffered.

Dofasco has adopted an overall corporate strategy that aims to mitigate the impact of

these cycles. With our increasing manufacture of value-added steel products, our close customer relationships, and our focus on earning the cost of capital over a full business cycle, Dofasco has been able to largely insulate itself from the more severe effects that cycles have on commodity steel producers.

Like many other steel companies, Dofasco derives a significant proportion if its revenues from the automotive industry. While automotive activity is expected to remain strong for the foreseeable future. Dofasco's customer relationship strategy helps to ensure that our manufacturing capacity growth relates directly to the needs of customers. Both Dofasco's tube mills and our investment in DoSol Galva illustrate this approach.

Dofasco Hamilton consumes large quantities of iron ore and steel scrap in the production of steel. Gallatin Steel relies on steel scrap. These materials are subject to price fluctuations depending on their availability and on general economic conditions. Dofasco has long-term supply agreements for its main raw material requirements and also uses short-term or spot markets to make purchases when it is economically advantageous to do so.

Dofasco's Hamilton facility is the largest single point consumer of electricity in Ontario. Our annual electricity cost is approximately $100 million. The Ontario government has initiated a process to establish a competitive electricity market, to commence in November, 2000. We are developing our strategy to participate in the new electricity market.

The supply of steel in North America, and its impact on the price of steel, is affected by both continental industry capacity and the level of overseas imports. When there is a high level of unfairly traded imports into the North American market, as in 1998, steel prices decline generally.

Dofasco, as part of the Canadian steel industry, and Gallatin Steel, as part of the U.S. steel industry, participated in trade actions with both federal governments in 1998 and 1999 to ensure that imports to North America are fairly priced. Imports remain a significant factor in the North American marketplace, as steel brokers move to new sources of imports that are not covered by the trade actions. Through trade associations and individually, Dofasco closely monitors import activity and is ready to act to ensure the effectiveness of free market forces.

In a fair competitive environment, Dofasco's operating efficiency will allow the company to maintain both its profitability and its share of the market for steel products.

Dofasco is in full compliance with all laws and regulations relating to the environment, including those that govern emissions and discharges from our various operating facilities. While these laws and regulations are subject to change, Dofasco has in place a voluntary Environmental Management Agreement that generally exceeds the requirements of current legislation and the company maintains close contact with environmental authorities.

Year 2000

There were no significant disruptions to any of Dofasco's operating or business systems as a result of the transition from 1999 to 2000. The cost of our year 2000 readiness program was $16.5 million, exclusive of internal salaries and wages. Of this amount, approximately $2.3 million was expensed in 1999 ($9.5 million before 1999) and $1.8 million was capitalized in 1999 ($2.9 million before 1999).

Dofasco's Management's Discussion and Analysis includes statements and expectations about future performance that are based on assumptions, uncertainties and management's best estimates of future events. Readers are cautioned that, as a result, actual results may differ from expected results.

Consolidated Statements of Ir

For the years ended December 31 (in millions except per share amounts)	1999	1998
		(restated – Note 2)
Income		
Sales	$ 3,142.3	$ 2,982.2
Cost of sales (before the following item)	2,426.0	2,359.6
Employees' profit sharing (note 14)	53.3	38.1
	2,479.3	2,397.7
Gross income	663.0	584.5
Depreciation and amortization	256.0	248.3
Operating income	407.0	336.2
Interest on long-term debt	60.8	69.8
Interest and other income	(10.2)	(20.0)
	356.4	286.4
Unusual item:		
Gain on sale of investment (note 5)	31.8	–
Income before income taxes	388.2	286.4
Income tax expense (note 12)	133.3	112.5
	254.9	173.9
Minority interest	(5.9)	(0.3)
Net income for year	$ 260.8	$ 174.2
Earnings per comm		
Basic	$ 3.16	$ 2.02
Fully diluted	$ 3.11	$ 2.02
Dividends declared	$ 1.00	$ 1.00
Retained Earnings		
Balance at beginning of year	$ 885.4	$ 804.7
Net income for year	260.8	174.2
	1,146.2	978.9
Dividends declared:		
Preferred shares	0.6	0.6
Common shares	82.2	85.7
Premium paid on repurchase of common shares	94.7	7.2
	177.5	93.5
Balance at end of year	$ 968.7	$ 885.4

See accompanying notes to consolidated financial statements.

December 31 (in millions)	1999	1998
		(restated – Note 2)
Current Assets		
Cash and cash equivalents	$ 197.1	$ 93.3
Accounts receivable	382.3	362.7
Inventories (note 3)	772.7	784.6
Future income tax assets (note 12)	10.1	5.7
	1,362.2	1,246.3
[illegible] and Other Assets		
Fixed assets (note 4)	1,986.8	2,054.2
Future income tax assets (note 12)	41.4	44.1
Other assets (note 5)	92.4	74.1
	2,120.6	2,172.4
Total Assets	$ 3,482.8	$ 3,418.7
Bank borrowings of joint ventures	$ 17.5	$ 10.2
Accounts payable and accrued charges	392.1	316.2
Income and other taxes payable	56.7	9.4
Dividends payable	19.8	21.4
Current requirements on long term debt (note 7)	99.6	102.2
	585.7	459.4
Long-term debt (note 7)	516.5	593.9
Post-employment benefits	311.3	295.9
Provision for relining blast furnaces and other	26.3	22.0
	854.1	911.8
(note 12)	208.9	227.8
	21.6	22.7
Preferred shares (note 8)	12.4	12.7
Common shares (note 9)	831.4	898.9
Retained earnings	968.7	885.4
	1,812.5	1,797.0
Total Liabilities and Shareholders' Equity	$ 3,482.8	$ 3,418.7

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. T. Mayberry,
Director

C. H. Hantho,
Director

Consolidated Statements of C

For the years ended December 31 (in millions)	1999	1998
		(restated – Notes 2 & 13)
Cash Derived From Operations (note 13)	**$ 568.6**	$ 363.7
Cash Derived From (U		
New facilities	**(186.0)**	(257.5)
Decrease in investments	**30.3**	28.1
	(155.7)	(229.4)
Cash Derived From (Us		
Increase (decrease) in bank borrowings	**7.3**	(18.9)
Decrease in long-term debt	**(74.3)**	(104.0)
Equity contribution by minority interest	**4.8**	23.0
Redemption of preferred shares	**(0.3)**	(0.2)
Common shares issued	**2.3**	0.6
Common shares repurchased	**(164.5)**	(16.6)
Dividends paid	**(84.4)**	(86.6)
	(309.1)	(202.7)
Cash and Cash Equi		
Increase (decrease) for year	**103.8**	(68.4)
Balance at beginning of year	**93.3**	161.7
Balance at end of year	**$ 197.1**	$ 93.3

See accompanying notes to consolidated financial statements.

The consolidated financial statements for 1999 and 1998 have been prepared by the Corporation in accordance with generally accepted accounting principles and are within the framework of the accounting policies summarized below:

Basis of consolidation – The consolidated financial statements include the accounts of the Corporation, its subsidiaries and the proportionate share of the assets, liabilities and results of operations of its joint venture activities. The remaining long term investments are carried at cost.

Cash and cash equivalents – Cash and cash equivalents includes cash on deposit and term deposits with original maturities of less than three months.

Inventories – Inventories are valued at the lower of average cost and net realizable value.

Fixed assets – Fixed assets are recorded at their historical cost.

Depreciation is computed generally by the straight-line method applied to the cost of assets in service at annual rates based on their estimated useful lives, as follows:

Buildings	2.5 to 5%
Equipment and machinery	5 to 25%

Pre-production, development and stripping expenditures – Pre-production and development expenditures to bring mining sectors into production are deferred and amortized on a straight-line basis over a period relating to the individual economic residual life of the mining sector.

Stripping expenditures that are incurred to extend mine life are deferred and amortized in a manner designed to spread the cost of stripping over the extended mine life. If it is determined that an investment in deferred stripping is not recoverable over the productive life of the property, the unrecoverable portion is charged to earnings in the year such determination is made.

Repair and maintenance costs – Repair and maintenance costs are expensed as incurred except for the estimated cost of relining blast furnaces which is accrued between relines.

Income taxes – The Corporation follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Translation of foreign currencies – Foreign currency monetary assets and liabilities of domestic operations are translated at year end exchange rates while foreign currency revenues and expenses are translated at average exchange rates prevailing during the year.

Dofasco's foreign subsidiaries are classified as integrated foreign operations. Consequently, their monetary assets and liabilities have been converted to Canadian dollars using the exchange rate in effect at the balance sheet date. All other assets and liabilities are converted at historical rates. Revenues and expenses are translated at average exchange rates prevailing during the year except depreciation, which is translated at the historical rate applicable to the related asset.

Gains and losses on translation are included in the statement of income.

Gains and losses on foreign currency liabilities which have been identified as a hedge against exposure on future foreign currency revenues, are deferred and matched to the future revenue stream, provided there is reasonable assurance that the hedge is and will continue to be effective.

Retirement plans – The cost of pension and post-employment benefits (including medical benefits, dental care, life insurance and certain compensated absences) related to employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method prorated on services and management's best estimates of investment yields, salary escalation and other factors. Adjustments resulting from benefit amendments, experience gains and losses, and changes in assumptions are amortized over the remaining average service life of active employees.

Stock based compensation plans – The Corporation maintains stock based compensation plans pursuant to which common share stock options, with attached stock appreciation rights, are granted to executive officers and other employees. Compensation expense is recognized in the accounts only in respect of amounts paid on the settlement of stock appreciation rights. Any consideration paid by employees on the exercise of stock options is credited to share capital.

Earnings per common share – Earnings per common share is calculated on the basis of net income for the year, less preferred dividends, divided by the monthly weighted average number of common shares outstanding during the year.

Fully diluted earnings per share are calculated on the weighted average number of shares that would have been outstanding during the year had all the dilutive common share stock options been exercised or converted into common shares at the beginning of the year, or date of issuance, if later. The earnings applicable to the common shares are increased by the amount of interest, net of applicable taxes, that would have been earned on funds received due to the exercise of the options.

Accounting changes

Effective January 1, 1999, the Corporation has adopted the following changes in accounting:

(i) Income taxes

The Corporation has adopted the liability method of tax allocation for accounting for income taxes as provided for under new recommendations of the Canadian Institute of Chartered Accountants. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Under this method, future tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

(ii) Post-employment benefits

Prior to 1999, the majority of the operations of the Corporation accrued for certain post employment benefits on a basis similar to that used for its pension benefits. The Corporation now accounts for the cost of all post-employment benefits including medical benefits, dental care, life insurance and certain compensated absences on an accrual basis computed using a market-related discount rate.

Each of these changes has been applied retroactively as follows:

- Opening retained earnings as at January 1, 1999 and January 1, 1998 decreased by $31.5 million and $30.0 million respectively.
- The post-employment benefit liability as at January 1, 1998 increased by $141.2 million.
- Net future income tax liability decreased by $111.2 million as at January 1, 1998.
- Consolidated net income for 1998 and 1999 decreased by $1.5 million (2 cents per common share) and $4.3 million (5 cents per common share) respectively.

3. Inventories

(in millions)	1999	1998
Raw materials and other inventories	$ 324.1	$ 332.6
Semi-finished and finished steel products	448.6	452.0
	$ 772.7	$ 784.6

4. Fixed assets

(in millions)	1999		1998	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 40.9	$ –	$ 41.4	$ –
Buildings	723.1	363.7	683.6	331.9
Equipment and machinery	4,111.2	2,596.6	3,838.6	2,399.9
Construction in progress	71.9	–	222.4	–
	$4,947.1	$2,960.3	$ 4,786.0	$ 2,731.8
Net book value	$1,986.8		$ 2,054.2	

The estimated amount required to complete authorized capital projects is $249 million at December 31, 1999. The majority of these expenditures will be incurred over the next two years.

(in millions)	1999	1998
Pre-production, development and stripping expenditures	$ 31.5	$ 23.0
Deferred pension cost	35.4	17.5
Investments	12.4	11.7
Other	13.1	21.9
	$ 92.4	$ 74.1

In December 1999, the Corporation sold its common share investment in Iron Ore Company of Canada for cash proceeds of $36.9 million. A pre-tax gain of $31.8 million was recorded based on the carrying value of the investment at the time of the sale.

The Corporation has a 50% interest (except Wabush Mines – 24%) in the following joint ventures:

Baycoat – a steel coil coating operation

DNN Galvanizing Limited Partnership – a galvanizing operation

Gallatin Steel Company – a minimill thin slab casting facility

Quebec Cartier Mining Company – an iron ore mining operation

Sorevco and Company, Limited – a galvanizing operation

Wabush Mines – an iron ore mining operation

The Corporation's proportionate share in its joint ventures is summarized below:

(in millions)	1999	1998
Working capital	$ 33.9	$ 11.7
Fixed and other assets	605.0	646.5
Future income tax assets	40.7	43.4
	679.6	701.6
Long-term liabilities	161.0	194.4
Future income tax liabilities	54.9	54.5
	215.9	248.9
Net investment	$ 463.7	$ 452.7
Revenues	$ 681.5	$ 702.2
Expenses	667.9	701.2
Net income	$ 13.6	$ 1.0
Cash derived from operations	$ 54.1	$ 96.5
Cash used for investment activities	$ 7.5	$ 28.2
Cash used for financing activities	$ 25.1	$ 5.0

The Corporation's proportionate share is shown before the elimination of internal trade accounts receivable and accounts payable. As well, its share of revenue is shown before the elimination of internal sales.

Long-term debt

(in millions)	1999	1998
Dofasco		
Notes		
9.95% maturing 2003	**$ 143.5**	$ 175.4
9.81% maturing 2007	**280.0**	315.0
	423.5	490.4
Joint ventures (proportionate share)		
QCM – variable rates, currently averaging 6.7%, maturing 2002, denominated in U.S. funds	**78.9**	104.7
DNN – 11.2% maturing 2008	**72.6**	80.7
Other	**41.1**	20.3
	192.6	205.7
Total long-term debt at December 31	**616.1**	696.1
Less current requirements	**99.6**	102.2
	$ 516.5	$ 593.9

Requirements for repayment of long-term debt within the next five years are as follows:

(in millions)	
2000	$ 99.6
2001	$ 97.6
2002	$ 124.1
2003	$ 100.0
2004	$ 53.0

(i) Dofasco –

The Corporation has revolving bank credit available until October 21, 2001 in the amount of $200 million. At December 31, 1999 the entire amount of the revolving credit is available.

(ii) Joint ventures –

Certain assets of some of our joint ventures have been pledged as collateral for their respective loans.

Preferred shares

Authorized – preferred shares issuable in series:

Class A preferred shares – 500,000
Class B preferred shares – unlimited
Class C preferred shares – unlimited

Issued less redeemed at December 31:

	Shares (in thousands)		(in millions)	
	1999	1998	**1999**	1998
Class A preferred shares 4 3/4% cumulative redeemable preferred shares, series A	**124**	127	**$ 12.4**	$ 12.7

Class A preferred shares –

Under the share provisions, the Corporation is to establish in each year an account equal to 2% of the amount paid up on all series A preferred shares outstanding in that year for the purchase of such shares to the extent available in that year at prices up to the issue price of $100 plus costs of purchase. During 1999, 2,600 shares were purchased for cancellation for $.3 million (1998 – 2,200 for $.2 million). The preferred shares are redeemable at the option of the Corporation at a price of $101 per share plus accrued and unpaid dividends. The annual purchase requirement and redemption rights are suspended when dividends are in arrears.

Common shares

Authorized – unlimited

Changes in the outstanding common shares during each of the past two years are summarized below:

	Shares (in thousands)	(in millions)
Outstanding at December 31, 1997	85,946	$ 907.7
Shares issued for cash under the employee stock option plans	33	.6
Shares repurchased	**(892)**	**(9.4)**
Outstanding at December 31, 1998	**85,087**	**$ 898.9**
Shares issued for cash under the employee stock option plans	**118**	**2.3**
Shares repurchased	**(6,608)**	**(69.8)**
Outstanding at December 31, 1999	**78,597**	**$ 831.4**

In September, 1999 the Corporation filed a normal course issuer bid which entitles the Corporation to acquire up to 6,900,000 of its common shares between September 14, 1999 and September 13, 2000. The purchases are made on the open market at the market price at the time of any particular transaction. During 1999, Dofasco repurchased 3,200,000 common shares under this program.

In September, 1998 the Corporation filed a similar normal course issuer bid under which it acquired 4,300,000 of its common shares between September 14, 1998 and September 13, 1999.

10. Stock based comp

The Corporation is authorized to grant common share stock options, with attached stock appreciation rights, to certain executive officers and employees. The exercise price of the options may not be less than the market value of the common shares on the date of the grant. Options vest equally on the first; second and third anniversary date of the grant and have a term not to exceed ten years. Either options or stock appreciation rights, but not both, may be exercised at the employees' option.

A summary of the status of the Corporation's stock based compensation plans as of December 31, 1998 and 1999 and changes during the year are as follows:

	Shares	Weighted Average Exercise Price
Balance outstanding at December 31, 1997	1,232,609	$ 21.24
Authorized	381,900	24.75
Exercised	(48,200)	19.57
Forfeited/expired	(22,500)	22.86
Balance outstanding at December 31, 1998	**1,543,809**	**$ 22.14**
Authorized	**466,500**	**23.05**
Exercised	**(164,900)**	**19.38**
Forfeited/expired	**(3,600)**	**24.75**
Balance outstanding at December 31, 1999	**1,841,809**	**$ 22.61**

The following table summarizes information on stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding at December 31, 1999	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at December 31, 1999	Weighted Average Exercise Price
$14.75 – $21.45	654,709	5.30	$ 20.38	654,709	$ 20.38
$23.85 – $25.95	1,187,100	8.43	23.84	339,200	24.22
	1,841,809	7.32	$ 22.61	993,909	$ 21.69

Amounts charged to income as compensation expense in each of 1998 and 1999 were not material.

11. Shareholder ri

On May 1, 1998, the shareholders of the Corporation approved a new shareholder rights plan (the "New Plan") which replaced a similar plan originally adopted by the Board of Directors on November 24, 1989. One right (a "Right") was issued under the New Plan for each outstanding common share and one Right will be issued in respect of each common share issued prior to the expiry of the New Plan. No consideration is payable by a shareholder upon issuance of the Rights. The New Plan will terminate at the close of the annual general meeting of shareholders in 2001, if not terminated earlier.

The New Plan is intended to ensure that, in the event of a bid for control of the Corporation, shareholders will receive full and fair value for their shares and will not be subject to abusive or coercive take-over strategies and that the Board of Directors will have sufficient time to evaluate the bid, negotiate with the bidder, seek out alternative bidders and explore other ways of maximizing shareholder value.

Rights are not exercisable until certain events occur. If anyone (an "Acquiring Person") wishes to acquire 20% or more of the Corporation's voting shares, it may (i) negotiate terms which the Board of Directors of the Corporation approve as being fair to all shareholders or, alternatively (ii) without Board approval, make a "permitted bid" which must contain provisions specified in the New Plan and be accepted by independent shareholders holding more than 50% of the then outstanding voting shares. If the Acquiring Person acquires 20% or more of the Corporation's voting shares other than as described above (subject to certain exceptions), the Rights will become exercisable automatically allowing holders (other than the Acquiring Person) to purchase common shares at a 50% discount. The Board of Directors may, in certain circumstances, redeem the then outstanding Rights at a redemption price of $0.001 per Right.

[illegible] Income Taxes

The income tax expense is comprised of:

(in millions)	1999	1998
Current	**$ 158.5**	$ 108.2
Future	**(25.2)**	4.3
	$ 133.3	$ 112.5

The income tax expense differs from the amount calculated by applying Canadian income tax rates (Federal and Provincial) to income before income taxes, as follows:

(in millions)	1999	1998
Income before income taxes	**$ 388.2**	$ 286.4
Income tax expense computed using statutory income tax rates	**$ 171.7**	$ 119.7
Add (deduct):		
Manufacturing and processing credit	**(31.4)**	(25.1)
Resource allowance	**(4.5)**	(7.3)
Effect of different rates in foreign jurisdiction	**.3**	3.6
Unrecorded income tax benefit arising from losses of U.S. subsidiaries	**.4**	14.6
Mining duties	**.9**	6.1
Minimum taxes	**1.9**	3.5
Non-taxable portion of gain on sale of investment	**(5.6)**	–
Other	**(.4)**	(2.6)
	(38.4)	(7.2)
Income tax expense	**$ 133.3**	$ 112.5

Components of future income taxes by jurisdiction are summarized as follows:

(in millions)	1999	1998
Canada		
Current Assets –		
Accounting provisions not currently deductible for tax purposes	**$ 19.5**	$ 14.1
Inventory of production rolls	**(9.4)**	(8.4)
Future income tax assets	**$ 10.1**	$ 5.7
Liabilities –		
Tax depreciation in excess of book depreciation	**$ 316.5**	$ 340.7
Accounting provisions not currently deductible for tax purposes	**(134.0)**	(126.6)
Deferred pension cost	**23.4**	17.2
Other	**3.0**	(3.5)
Future income tax liabilities	**$ 208.9**	$ 227.8
Foreign		
Assets –		
U.S. net operating loss carryforward	**$ 84.4**	$ 83.7
Tax depreciation in excess of book depreciation	**(44.2)**	(40.8)
Other	**1.2**	1.2
Future income tax assets	**$ 41.4**	$ 44.1

At December 31, 1999, U.S. subsidiaries have accumulated losses for tax purposes of approximately U.S. $45.5 million (1998 – U.S. $44.6 million) for which no future tax benefit has been recognized in the accounts. These losses can be applied against future taxable income in varying amounts up to 2019.

13. Cash derived from operati

(in millions)	1999	1998
Net income for year	**$ 260.8**	$ 174.2
Items not involving cash –		
Gain on sale of investment	**(31.8)**	–
Depreciation and amortization	**256.0**	248.3
Future income taxes	**(25.2)**	4.3
Pension and other post-employment benefits	**(2.5)**	(25.5)
Other	**5.9**	17.6
Changes in operating working capital	**105.4**	(55.2)
	$ 568.6	$ 363.7

Supplemental disclosure of cash flow information –		
Cash paid for interest	**$ 64.0**	$ 73.4
Cash paid for income taxes	**$ 118.7**	$ 99.4

The comparative consolidated statements of cash flows have been restated to reclassify dividends paid and changes in bank borrowings as financing activities as required by new accounting recommendations issued by the Canadian Institute of Chartered Accountants.

14. Employees' prof
steelmaking ope

The Corporation allocates 14% of its Hamilton steelmaking profits before income taxes or a minimum payment of three times the contributions made by members, to the Dofasco Employees' Savings and Profit Sharing Funds and the Dofasco Employees' Deferred Profit Sharing Plan, to be shared among Hamilton steelmaking employees. During the year, changes were approved to provide for the funding of a portion of the annual profit sharing allocation through the creation of a defined contribution pension component within the Dofasco Supplementary Retirement Income Plan.

15. Retirement plan

The Corporation funds retirement plans covering substantially all of the employees. Such plans include the Dofasco Employees' Savings and Profit Sharing Funds (note 14), as well as a number of defined benefit pension plans. The Corporation also provides post-employment health care and life insurance benefits to qualified employees and their surviving spouses.

Aggregate obligations for all pension and post-employment benefits, based on amounts determined by independent actuaries, and the market related value of pension assets, based on a four year average, are as follows:

(in millions)	1999		1998	
	Assets	**Obligations**	Assets	Obligations
Pension plans	**$ 1,819**	**$ 1,543**	$ 1,721	$ 1,355
Post-employment benefits	**–**	**327**	–	312

The Corporation utilizes financial instruments to manage the risk associated with fluctuations in interest and foreign exchange rates and commodity prices. These contracts limit the exposure to unfavourable changes in interest and Canadian/U.S. exchange rates and the price of certain commodities.

The Corporation has entered into foreign exchange contracts with an aggregate amount of U.S. $73.7 million as at December 31, 1999 (1998 – U.S. $72.1 million). These contracts mature at the latest on December 31, 2000 at exchange rates varying between Cdn. $1.4605 and Cdn. $1.5265.

As at December 31, 1999, the Corporation has entered into an interest rate swap contract for a notional amount of principal of U.S. $6.25 million (1998 – U.S. $18.75 million). This contract will require interest payments at a fixed annual rate of 6.30% in exchange for the right to receive interest at a LIBOR based rate expiring in June 15, 2000.

Commodity price swap contracts are used to hedge the cost of certain raw materials. As at December 31, 1999, the aggregate notional amount of all contracts outstanding was U.S. $7.2 million (1998 – U.S. $14.8 million) expiring at various dates through to December 31, 2000.

There was no significant unrealized gain or loss on these financial instruments as at December 31, 1999. The Corporation believes that its exposure to credit and market risks for these instruments is negligible. It does not hold or issue derivative financial instruments for trading or speculative purposes.

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

The Corporation has three reportable segments as follows:

Steel operations – includes Hamilton operations, Dofasco USA and Dofasco's share of Baycoat, DNN, DoSol Galva, Sorevco and Wabush which are primarily engaged in flat rolled steel production and sales

Gallatin – joint venture minimill in the U.S. which produces and sells hot rolled steel

Quebec Cartier Mining (QCM) – iron ore production and sales

(in millions	1999				
	Steel Operations	Gallatin	QCM	Intercompany Elimination	Consol. Total
Sales to external customers	**$ 2,760.0**	**$ 197.7**	**$ 184.6**	**$ –**	**$ 3,142.3**
Inter-segment sales	**–**	**50.5**	**94.1**	**(144.6)**	**–**
Total sales	**2,760.0**	**248.2**	**278.7**	**(144.6)**	**3,142.3**
Gross income	**594.3**	**15.4**	**48.7**	**4.6**	**663.0**
Depreciation and amortization	**202.5**	**19.6**	**33.9**	**–**	**256.0**
Interest on long-term debt	**54.6**	**.5**	**5.7**	**–**	**60.8**
Interest and other income	**(9.4)**	**–**	**(.8)**	**–**	**(10.2)**
Gain on sale of investment	**31.8**	**–**	**–**	**–**	**31.8**
Income (loss) before income taxes	**378.4**	**(4.7)**	**9.9**	**4.6**	**388.2**
Segment assets	**2,820.2**	**326.0**	**347.3**	**(10.7)**	**3,482.8**
Expenditures for fixed assets	**169.3**	**2.4**	**14.3**	**–**	**186.0**

(in millions)	1998				
Sales to external customers	$ 2,652.6	$ 146.5	$ 183.1	$ –	$ 2,982.2
Inter-segment sales	–	47.3	115.6	(162.9)	–
Total sales	2,652.6	193.8	298.7	(162.9)	2,982.2
Gross income (loss)	516.5	(7.6)	79.7	(4.1)	584.5
Depreciation and amortization	191.4	23.4	33.5	–	248.3
Interest on long-term debt	61.7	.2	7.9	–	69.8
Interest and other income	(18.5)	–	(1.5)	–	(20.0)
Income (loss) before income taxes	281.9	(31.2)	39.8	(4.1)	286.4
Segment assets	2,736.2	320.2	376.2	(13.9)	3,418.7
Expenditures for fixed assets	230.7	11.9	14.9	–	257.5

Geographic information –

(in millions)	1999		1998	
	Sales	**Fixed Assets**	Sales	Fixed Assets
Canada	**$ 2,443.4**	**$ 1,759.4**	$ 2,281.1	$ 1,809.7
United States	**523.8**	**227.4**	496.8	244.5
Other countries	**175.1**	**–**	204.3	–
Total	**$ 3,142.3**	**$ 1,986.8**	$ 2,982.2	$ 2,054.2

Customer segments –

There are no customers which account for 10% or more of consolidated revenue in 1999 or 1998.

Auditors' Report

To the Shareholders of Dofasco Inc.

We have audited the consolidated balance sheets of Dofasco Inc. as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Dofasco Inc. as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Hamilton, Canada
February 2, 2000

Ernst & Young LLP
Chartered Accountants

Management's Responsibility for Financial Reporting

The accompanying financial statements of Dofasco Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the financial information presented throughout the annual report is consistent with the financial statements.

Dofasco Inc. maintains systems of internal accounting and administrative controls which are of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are outside directors. The Committee meets periodically with management, as well as with internal and external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee has reported its findings to the Board which has approved the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the shareholders by the external auditors, Ernst & Young, in accordance with generally accepted auditing standards. Ernst & Young has full and free access to the Audit Committee.

B. P. Solski,
Executive Vice President – Finance

J. T. Mayberry,
President and Chief Executive Officer

February 2, 2000

	1999	(Restated) 1998***	1997
Sales	**$ 3,142.3**	2,982.2	3,070.4
Cost of sales (before the following item)	**$ 2,426.0**	2,359.6	2,439.9
Employees' profit sharing plan	**$ 53.3**	38.1	34.2
Gross income	**$ 663.0**	584.5	596.3
Depreciation and amortization	**$ 256.0**	248.3	252.7
Operating income	**$ 407.0**	336.2	343.6
Interest on long-term debt	**$ 60.8**	69.8	75.8
Interest and other income	**$ (10.2)**	(20.0)	(25.9)
Income (loss) before unusual items and income taxes	**$ 356.4**	286.4	293.7
Unusual items	**$ 31.8**	–	–
Income tax expense (recovery)	**$ 133.3**	112.5	100.5
Minority interest	**$ (5.9)**	(0.3)	–
Income (loss) from equity investments	**$ –**	–	–
Net income (loss) for the year	**$ 260.8**	174.2	193.2
Net income (loss) attributable to common shares†	**$ 260.2**	173.6	181.7
Current assets	**$ 1,362.2**	1,246.3	1,372.1
Fixed assets – land, buildings and equipment, at cost	**$ 4,947.1**	4,786.0	4,568.5
– accumulated depreciation	**$ 2,960.3**	2,731.8	2,534.3
Other assets	**$ 133.8**	118.2	69.6
Current liabilities	**$ 585.7**	459.4	554.1
Long-term liabilities	**$ 854.1**	911.8	849.7
Future income tax liabilities	**$ 208.9**	227.8	316.8
Minority interest	**$ 21.6**	22.7	–
Shareholders' equity	**$ 1,812.5**	1,797.0	1,755.3
Raw steel production and purchased semi-finished steel processed (thousands of net tons)	**4,833**	4,794	4,621
Steel shipments (thousands of net tons)	**4,449**	4,056	4,131
Earnings (loss) per common share†	**$ 3.16**	2.02	2.12
Net income – percent of sales†	**8.3%**	5.8%	5.9%
Net income after adding back interest on long-term debt (after taxes) – percent of average capital**	**12.2%**	8.7%	9.0%
Net income – percent of average common shareholders' equity†	**14.5%**	9.8%	10.7%
Net book value per common share	**$ 22.90**	20.97	20.27
Dividends declared – per common share	**$ 1.00**	1.00	1.00
– per Class A preferred share	**$ 4.75**	4.75	4.75
– per Class C, $2.60 preferred share	**$ –**	–	1.11
Earnings reinvested in (withdrawn from) the business*	**$ 83.3**	80.7	95.9
Capital expenditures*	**$ 185.4**	265.7	119.6
Total dividends declared* – preferred	**$ 0.6**	0.6	11.5
– common	**$ 82.2**	85.7	85.8
Average number of common shares outstanding (thousands)	**82,296**	85,748	85,799

* in millions
** capital = shareholders' equity plus long-term debt (including current portion)
*** Restated to reflect changes in accounting related to income taxes and post-employment benefits.
† after preferred dividends
†† restated to include Algoma on the equity basis

For 1994 and subsequent years, Dofasco has reported its 50% interest in the Quebec Cartier Mining Company using the proportionate consolidation method.

1996	1995	1994	1993	1992	1991	1990††	1989††
2,942.0	2,635.9	2,424.8	2,102.9	1,952.9	2,055.8	2,349.3	2,563.3
2,317.0	2,047.1	1,936.2	1,778.2	1,737.0	1,842.4	1,905.7	1,969.5
40.8	45.7	23.6	7.1	8.3	10.4	29.4	52.4
584.2	543.1	465.0	317.6	207.6	203.0	414.2	541.4
228.2	207.8	211.1	179.8	166.8	157.0	156.0	150.2
356.0	335.3	253.9	137.8	40.8	46.0	258.2	391.2
79.3	86.0	88.0	89.2	90.8	92.6	72.0	61.6
(26.8)	(40.1)	(28.3)	(17.3)	(11.8)	(8.4)	(13.8)	(31.6)
303.5	289.4	194.2	65.9	(38.2)	(38.2)	200.0	361.2
–	–	67.0	74.8	(323.9)	(52.8)	(713.0)	(72.1)
96.2	93.6	40.3	(2.7)	(165.5)	(54.8)	70.7	101.3
–	–	–	–	–	–	–	–
–	–	–	(4.8)	(10.5)	11.2	(95.5)	30.1
207.3	195.8	220.9	138.6	(207.1)	(25.0)	(679.2)	217.9
181.2	169.4	194.2	111.9	(233.8)	(51.7)	(705.9)	191.2
1,511.5	1,599.7	1,533.0	1,158.1	1,111.2	1,038.7	1,082.3	1,161.9
4,585.4	4,352.5	4,139.1	3,685.2	3,870.9	3,861.6	3,647.6	3,275.8
2,387.8	2,218.1	2,029.0	1,768.5	1,867.1	1,654.7	1,526.5	1,367.9
65.4	65.9	69.3	132.3	139.6	166.9	134.8	810.9
474.4	546.1	411.9	295.3	381.6	295.4	383.1	410.5
1,013.9	1,025.6	1,136.7	1,062.0	1,110.2	970.6	883.9	638.9
316.0	353.9	399.4	367.2	393.8	539.3	568.8	572.5
–	–	–	–	–	–	–	–
1,970.2	1,874.4	1,764.4	1,482.6	1,369.0	1,607.2	1,502.4	2,258.8
4,274	3,746	3,507	3,884	4,089	4,094	4,526	4,858
3,985	3,181	3,076	3,350	3,419	3,375	3,717	3,869
2.12	1.98	2.33	1.41	(2.96)	(0.73)	(10.64)	2.95
6.2%	6.4%	8.0%	5.3%	N/A	N/A	N/A	7.5%
9.4%	9.3%	10.8%	8.4%	N/A	1.3%	N/A	9.5%
11.4%	11.4%	15.1%	10.3%	N/A	N/A	N/A	10.3%
19.16	18.00	16.80	14.39	12.98	16.18	17.34	29.35
0.85	0.80	0.30	–	0.15	0.80	1.28	1.28
4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
95.7	97.9	168.8	111.9	(245.6)	(108.1)	(790.8)	108.1
293.7	230.1	192.8	89.8	106.9	250.5	325.9	134.9
26.1	26.4	26.7	26.7	26.7	26.7	26.7	26.7
72.7	68.4	25.4	–	11.8	56.4	84.9	83.1
85,615	85,525	83,433	79,394	79,084	70,554	66,323	64,915

Dofasco's Philosophy

The objective of Dofasco's Board of Directors is to maximize shareholder value in a manner that is consistent with good corporate citizenship, including fair treatment of employees, customers, suppliers and the community.

Dofasco has a comprehensive set of corporate governance policies and guidelines which are designed to permit the Board of Directors to represent the interests of the Company's shareholders and to assist management in setting and attaining goals which create value and contribute to the communities where Dofasco operates. These policies and guidelines are regularly reviewed, evaluated and modified to meet the changing needs of the Company and its shareholders.

The following excerpts from annual meeting remarks by Board Chair C.H. Hantho, illustrate the active, open and innovative approach to corporate governance practised by Dofasco's Board.

May 2, 1997 *It is not the Board's role to manage the Company day-to-day however, it is critical that the Directors continue to work very closely with management, particularly in the area of strategic planning and overall stewardship of the Company. In my view, your Directors and Dofasco's senior management function very well as a team, complementing each other's strengths and experience.*

Corporate governance, like most things these days, is not static and we continue to explore and work towards the best ways to help guide management to continued success. Dofasco's traditional values of openness and respect help encourage this kind of self-examination and redefinition.

We regularly initiate reassessments of strategy with management, not to make unnecessary changes, but to ensure that in light of changing circumstances or other constraints, our future direction remains steadily focused on value creation and implementation plans remain feasible and realistic.

To that end, in addition to our regular monthly meetings that involve management, we have an annual strategy and planning session with John Mayberry and his senior team.

Dofasco's Board of Directors very strongly believes that a critical role we play is not only to create value for shareholders, but also to preserve the values that are an inherent part of Dofasco's corporate personality. ...Dofasco values and the continuity and consistency that they stand for are basic to everything we do.

May 7, 1999 *...most of us on the Dofasco Board have the opportunity to sit on other boards of directors, so I can tell you from personal experience that the strength and diversity of your directors, your Board's approach to Governance and its relationship with management is among the best in corporate Canada.*

Communications Policy

Dofasco was one of the first companies on the Toronto Stock Exchange to adopt a Communications Policy, as set out in the TSE's Corporate Governance guidelines.

Dofasco's communications with its stakeholders will reflect, support and advance the Company's vision, values, and business plan.

The policy addresses communications with all key stakeholder groups, including:

Investors - full, timely, complete and comprehensible disclosure, in compliance with all applicable laws;

Employees - continuous two-way communications to enable employees to share in the benefits of their performance;

Customers - to improve the Company's understanding of customer needs, and to provide useful information to them;

Communities - to ensure our host communities are informed about our activities, and to consult with them on Company decisions that affect them; and

Government - to participate where appropriate in the development of fair and beneficial public policy.

Board Committees

Mandate

- Review Dofasco's financial reporting issues, audit plans and results, and internal control systems and procedures with management and the auditors.
- Review audited financial statements prior to approval by the Board, and make recommendations concerning the appointment and compensation of auditors.

Members in 1999 – Eleanor Clitheroe, Roger Doe, Charles Hantho, Dezsö Horváth, Frank Logan, Peter Maurice (Chair)

Meetings in 1999 – Four

Mandate

- Monitor, review and make recommendations concerning Dofasco's overall human resources policies and practices; organizational structure, appointments, compensation, and succession planning for senior management; and the Chief Executive Officer's performance and compensation.

Members in 1999 – John Akitt, Eleanor Clitheroe, Robert Dowsett, Richard George, Charles Hantho, David McCamus (Chair)

Meetings in 1999 – Five

Mandate

- Review and make recommendations concerning the composition of Dofasco's Board of Directors, nominees for election to the Board at the Annual Shareholders' Meeting or to fill vacancies between annual meetings, the composition and chairs of Board committees, corporate governance policies, evaluation of the Board's performance, and succession planning for the Chair of the Board.

Members in 1999 – Roger Doe (Chair), Robert Dowsett, Richard George, Charles Hantho, Frank Logan, Peter Maurice

Meetings in 1999 – Six

Environment, Health and Safety Committee

Mandate

- Monitor, review and make recommendations concerning Dofasco's (and subsidiary and joint venture) environment, and health and safety policies, goals, management and reporting systems, and performance
- Focus on prevention of problems and incidents relating to health and safety
- Monitor relevant legal and regulatory changes and Dofasco's compliance

Members in 1999 – John Akitt (Chair), William Coyne, Charles Hantho, Dezsö Horváth, David McCamus

Meetings in 1999 – Two

Directors' attendance at meetings

- In 1999, Dofasco held nine meetings of the Board. Average attendance was 92%.
- In 1999, Dofasco held 17 meetings of Board committees. Average attendance was 93%.

TSE Guidelines

Like most major Canadian corporations, Dofasco uses the corporate governance guidelines advocated by The Toronto Stock Exchange as a compliance template. Dofasco's policies go well beyond the suggested minimum. Our approach is to adopt policies which best address the interests of the Company and its shareholders, rather than simply meeting a narrowly defined guideline.

The Board of Directors

• be responsible for corporate stewardship, including the strategic planning process, identification and management of risks, succession planning, corporate communications policy, and the integrity of internal control and management information systems	• Board has a formal mandate that includes all these responsibilities and outlines the elements of stewardship that may be required to fulfil them. • Board approval is required for significant acquisitions, divestitures and capital expenditures.
• be constituted with a majority of unrelated Directors • report annually on the proportion of unrelated Directors	• Only one Board member, the President and CEO, is a related director. The remaining directors are all unrelated. • Reported annually in the Management Proxy Circular.
• appoint a committee of outside Directors to propose new Board nominees and to assess existing Directors	• Dofasco's Nominating and Corporate Governance Committee of the Board, composed exclusively of outside directors, has this responsibility. • All directors are encouraged to identify potential candidates.
• have a process for assessing the effectiveness of the Board as a whole, its committees and individual Directors	• Dofasco's formal, annual evaluation process includes questionnaires completed by directors and senior management, self-evaluation questionnaires completed by directors, discussions between the Chair and individual directors, and an evaluation of the Chair's performance by other directors.
• have an orientation and education program for new Directors	• Dofasco's comprehensive orientation and education program includes a variety of written information, tours of operations, and the opportunity to attend governance seminars.
• ensure that the number of Directors is appropriate for effective decision-making	• The Board reviews its size and composition annually, to maintain an appropriate mix of expertise and experience, combined with efficient operation and decision making.
• ensure that Directors' compensation realistically reflects their responsibilities and associated risk	• The Nominating and Corporate Governance Committee annually reviews directors' compensation, comparing it with other Canadian public companies and noting our time commitment expectations of directors. • Dofasco encourages ownership of the Company's shares by directors and requires that all non-employee directors allocate at least 25% of their annual board retainer to the purchase of Dofasco shares.
• ensure that Board committees are made up, generally, of outside Directors, with a majority unrelated Directors	• All four of Dofasco's Board committees are composed of outside directors.
• be responsible for developing the company's approach to governance and for implementing TSE governance guidelines	• The Nominating and Corporate Governance Committee has this responsibility.
• with CEO, develop position descriptions for Board and CEO, and corporate objectives for CEO	• The Board has position descriptions for the CEO, directors and the Board Chair. • The Board approves an annual business plan that includes the CEO's corporate objectives, priorities and performance targets.
• have a non-management Chair, or "lead director" • meet regularly without management	• Dofasco's Board Chair is an outside and unrelated director. • Dofasco favours an independent, non-executive Chair, however in the event an employee serves as Chair, outside directors would select a Lead Director. • Dofasco reserves a portion of each Board meeting for discussion among directors only. As well, outside directors normally meet twice a year. These meetings are followed by a discussion with the CEO.
• have an Audit Committee composed entirely of outside Directors that has specific responsibilities, direct access to internal and external auditors and oversees management reporting on internal control	• Dofasco's Audit Committee meets all these guidelines.
• have a system to enable individual Directors to engage an outside advisor at the Corporation's expense in appropriate circumstances, subject to the approval of an appropriate Board committee	• Dofasco directors are expected to review such matters with the Chair.

Don Pether

John E. Akitt

Mr. Akitt is a Corporate Director and Consultant, having retired as Executive Vice President of Exxon Chemical Company of Houston, Texas in 1998. He has served on Dofasco's Board since 1994.

Sylvia D. Chrominska

Ms. Chrominska joined Dofasco's Board in 2000. She is Executive Vice-President, Human Resources of The Bank of Nova Scotia in Toronto, Ontario.

Eleanor R. Clitheroe

Ms. Clitheroe is President & Chief Executive Officer of Ontario Hydro Services Company in Toronto, Ontario. She has been a member of the Board since 1996.

William E. Coyne

Dr. Coyne is Senior Vice President, Research and Development of 3M in St. Paul, Minnesota. He has been a Director since 1997.

Roger G. Doe

Mr. Doe, a director of several Canadian companies, is a retired senior partner of the law firm of Fasken Martineau DuMoulin in Toronto, Ontario. He has served on Dofasco's Board since 1975.

Robert C. Dowsett

Mr. Dowsett was elected to Dofasco's Board in 1975. He is President of Robert Dowsett Consulting, an actuarial consulting company, in Toronto, Ontario.

Richard L. George

Mr. George, a member of Dofasco's Board since 1995, is President and Chief Executive Officer of Suncor Energy Inc. in Calgary, Alberta.

Charles H. Hantho

Chair of the Board

Mr. Hantho joined Dofasco's Board of Directors in 1989, and was elected Chair in 1995. In addition to other corporate directorships, he also serves as Chair of the Board of Governors of York University in Toronto, Ontario.

Dezsö J. Horváth

Dr. Horvath is Dean & Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business at York University in Toronto, Ontario. He has served as a Dofasco Director since 1995.

Frank H. Logan

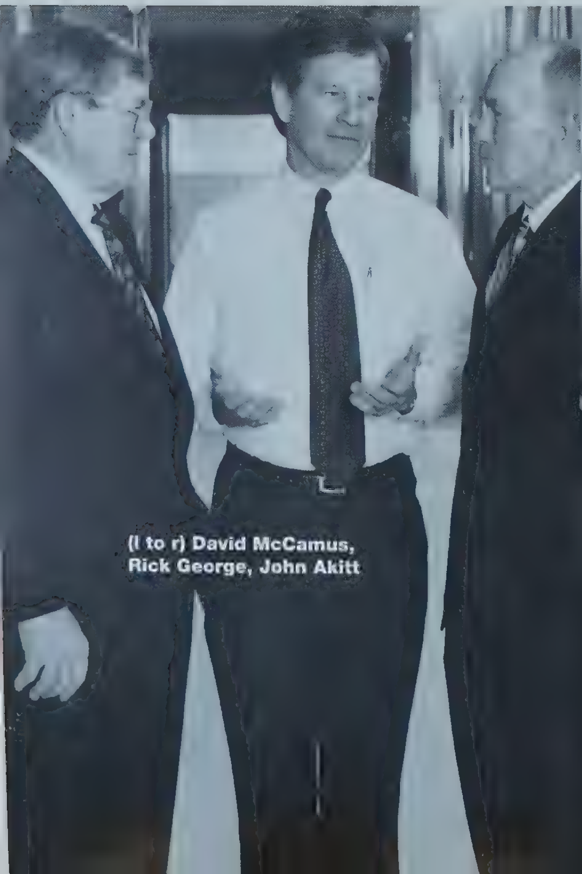
Mr. Logan was elected to Dofasco's Board in 1976. He is Director and Managing Director of Hatch Group in Mississauga, Ontario.

Brian F. MacNeill

Mr. MacNeill is President and Chief Executive Officer of Enbridge Inc. in Calgary, Alberta. He joined Dofasco's Board in 2000.

Peter C. Maurice

Mr. Maurice retired as Vice Chairman of CT Financial Services in 1998, and remains a director of a number of Canadian companies. He has been a member of Dofasco's Board since 1993.



(l to r) David McCamus, Rick George, John Akitt

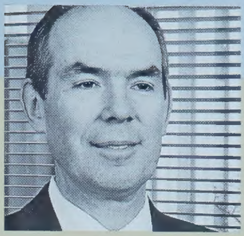
(l to r) Chuck Hantho, Sylvia Chrominska, Peter Maurice, Dezsö Horváth, Roger Doe


Bill Solski


Joan Weppler


Norm Lockington


Dave Borsellino


Allen Root


Steve Thompson

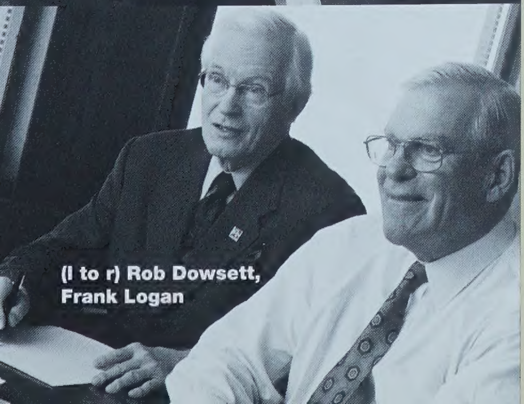
John T. Mayberry
President and Chief Executive Officer

Mr. Mayberry was appointed President and Chief Executive Officer of Dofasco Inc., and elected to the Board, in 1993.

David R. McCamus

Mr. McCamus is a director of a number of major Canadian corporations. He joined Dofasco's Board in 1993.


(l to r) Bill Coyne, John Mayberry, Eleanor Clitheroe, Brian MacNeill


(l to r) Rob Dowsett, Frank Logan

Officers

Charles H. Hantho
Chair of the Board

Mr. Hantho joined Dofasco's Board of Directors in 1989, and was elected Chair in 1995.

John T. Mayberry
President and Chief Executive Officer

Mr. Mayberry joined Dofasco's Sales Department in 1967. He held a number of senior positions with the Company prior to being named President and CEO in 1993.

Donald A. Pether
Executive Vice President Dofasco Inc. and General Manager Dofasco Hamilton

Mr. Pether began his Dofasco career in 1970 as a member of the Metallurgical Department. He was appointed to his current position in 1997.

Bill P. Solski
Executive Vice President – Finance

Mr. Solski assumed his current responsibilities in 1997. He has held a number of positions in Dofasco's Finance Department since joining the Company in 1970.

Joan M. H. Weppler
Vice President – Corporate Administration

Mrs. Weppler joined Dofasco as Vice President – Corporate Administration in 1997 following a 21-year law practice.

J. Norman Lockington
Vice President – Technology

Mr. Lockington assumed his current responsibilities in 1993. He joined Dofasco in 1973, and has held a number of positions in the Company's Environment, Energy, and Utilities Departments.

David S. Borsellino
Vice President – Manufacturing

Mr. Borsellino joined Dofasco in 1971 and held a variety of positions in the Company's Manufacturing Departments before being named Vice President in 1994.

L. Allen Root
Vice President – Commercial

Mr. Root was named to his current position in 1997. He began his Dofasco career in 1973 and has held a number of posts in the Financial and Manufacturing Departments.

D. Stephen Thompson
Vice President & General Manager – Tube Division

Mr. Thompson joined Dofasco in his current capacity in 1999 following a 14-year career in the North American automotive industry.

Raymond P. d'Andrade
Treasurer

Urmas Soomet
Secretary

Brian R. Wilson
Comptroller

Ownership Interests and Products

Subsidiaries

Dofasco USA Inc., Southfield, Michigan	100 %	Storage and processing of steel and by-products.

Mining and related ventures

Quebec Cartier Mining Company, Fermont and Port Cartier, Quebec	50.0 %	Iron ore pellets and concentrates.
Wabush Mines, Wabush, Nfld.; Pointe Noire, Quebec	24.3 %	Iron ore pellets.

Joint ventures

Baycoat, Hamilton, Ontario	50.0 %	Prepainted flat rolled steels.
DNN Galvanizing Limited Partnership, Windsor, Ontario	50.0 %	Hot dip galvanized flat rolled steels.
DoSol Galva Limited Partnership, Hamilton, Ontario	80.0 %	Hot dip galvanized flat rolled steels.
Gallatin Steel Company, Gallatin County, Kentucky	50.0 %	Hot rolled steels.
Sorevco and Company Limited, Coteau-du-Lac, Quebec	50.0 %	Hot dip galvanized flat rolled steels.

Stock Market Information

Common shares

Year	High†	Low†	Shares Traded
1999	**$ 29.50**	**$ 17.75**	**67,927,146**
1998	$ 26.65	$ 15.25	63,561,777
1997	$ 31.80	$ 20	85,174,286
1996	$ 26.55	$ 17 1/8	56,077,341
1995	$ 20 3/8	$ 16	58,846,373

† based on board lots traded.

Valuation day prices

December 22, 1971:

Common – $25.00 (after giving effect to the 3:1 stock split in 1984, $8.33)

4 3/4% Class A Preferred – $74.00

Closing price on February 22, 1994:

Common – $24.125

4 3/4% Class A Preferred – $64.00

Stock exchange listings

Common shares

Stock Symbol: DFS; CUSIP No. 256900-70-5

Listed: The Toronto Stock Exchange

Preferred shares

4 3/4% Cumulative Redeemable Preferred Shares, Series A

Stock Symbol: DFS.PR.A; CUSIP No. 256900-30-9

Listed: The Toronto Stock Exchange

When contacting Dofasco, please direct inquiries to:

The Corporate Secretary
Dofasco Inc.
P.O. Box 2460,
Hamilton, Ontario L8N 3J5
(905) 544-3761 or
1-800-DOFASCO (363-2726)
E-mail address: corpsec@dofasco.ca
Internet address: www.dofasco.ca

The Annual and Special General Meeting of Shareholders will be held on Friday, May 5, 2000. The meeting will take place at Dofasco's head office, 1330 Burlington Street East, Hamilton, Ontario, at 12:00 noon.

A detailed report of Dofasco's environmental initiatives and results is published annually and copies are available on request.

On pourra se procurer le texte français de ce rapport annuel en s'adressant au secrétaire de la Société, Dofasco Inc., P.O. Box 2460, Hamilton, Ontario L8N 3J5.

Stock transfer agents and registrars

CIBC Mellon Trust Company
Toronto, Montreal, Vancouver, Calgary

The Bank of Nova Scotia Trust Company of New York, New York (Common Shares and 4 3/4 % Cumulative Redeemable Preferred Shares, Series A)

For more information concerning share ownership or dividends, please contact our transfer agent:

CIBC Mellon Trust Company
320 Bay Street
P.O. Box 1
Toronto, Ontario
M5H 4A6
Answerline: (416) 643-5500
Toll Free Number: 1-800-387-0825
E-mail address: inquiries@cibcmellon.ca

The New Steel

Our Annual Report is printed on 55% recycled paper with a minimum specification of 10% post-consumer content and is 100% recyclable.

DOFASCO

Our product is steel. Our strength is people.